HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING MARCH 25, 2015 APPLICATION SUMMARY

NAME OF PROJECT:

Baby + Company Nashville

PROJECT NUMBER:

CN1501-003

ADDRESS:

3212 West End Avenue

Nashville (Davidson County), Tennessee 37203

LEGAL OWNER:

Baby + Company Nashville 1 LLC

509 New Waverly Place, Suite 210

Cary, North Carolina 27519

OPERATING ENTITY:

Not Applicable

CONTACT PERSON:

Dan Elrod, Attorney

(615) 651-6702

DATE FILED:

January 15, 2015

PROJECT COST:

\$2,080,111.00

FINANCING:

Cash Reserves

PURPOSE OF REVIEW:

Relocation of an approved but unimplemented

Birthing Center

DESCRIPTION:

Baby + Company Nashville (BCN), a for-profit Delaware Corporation formed in May 2014 and a wholly owned subsidiary of Maternity Centers of America, LLC (MCA), is seeking approval for the relocation of a previously approved but unimplemented CON (CN1406-022A) to establish a birthing center at 2106 21st Avenue, Nashville (Davidson County to 3212 West End Avenue, Nashville (Davidson County). The distance between the approved site and the proposed site is 1.5 miles.

The proposed facility will include approximately 7,800 square feet of leased space in a building which has been commercial mixed use. The space for the birthing center was previously an Outback Steakhouse. The space will be renovated to include 4 birthing suites, 3 examination rooms, a laboratory, a sterilization room, two classrooms (one of which could be converted to a 5th birthing suite as demand for services justifies), family

room/kitchen and additional support space. There is no new construction or acquisition of major medical equipment cost associated with the project.

If approved, the applicant will surrender CN1406-022. The applicant expects to initiate services in September 2015.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

GENERAL CRITERIA FOR CERTIFICATION OF NEED

- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:
- (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

The applicant states the new proposed birthing center site remains in Davidson County where approximately 80% of the patients are expected to reside and is as convenient to Vanderbilt University and Interstate 440 as the previously approved site. The main reasons provided for the relocation are increased space and better parking.

It appears that this criterion has been met.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The applicant states the new proposed location will be similarly economically beneficial to the population to be served as the original approved site. The projected global charge to patients is \$9,000, while the global charge projected in the original approved application was \$7,500. The reasons for the projected increase include the applicant's experience with its other facilities and recognition that staff costs, including benefits, will be higher than originally anticipated. The applicant points out that according to Department of Health data the average charge for low-risk deliveries in 2012 in Nashville hospitals was \$11,687, which does not include professional fees. The applicant's proposed \$9,000 charge remains below the Nashville hospital average.

It appears that this criterion has been met.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

The applicant expects that there will be approximately a six month delay for completion of this project compared to the original approved project. As noted earlier the benefits of the relocation included more space and better parking.

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Ownership

The applicant is owned by Baby + Company Nashville 1, LLC, a Delaware forprofit corporation formed in May 2014. Highlights of the applicant LLC are provided as follows:

- Applicant is a wholly owned subsidiary of Maternity Centers of America (MCA) based in Rogers, Arkansas.
- MCA birthing centers include an existing facility in Rogers, Arkansas and Cary, North Carolina; and facilities under development in Denver, Colorado and Charlotte, North Carolina.
- Per the organizational chart, MCA has an investor/ownership relationship with Fortress Equity Partners, L.P.
- Baby + Company Nashville was registered with the Tennessee Secretary of State's office in June 2014.

Facility Profile

The applicant has plans to lease approximately 7,800 square feet in a five story building on 3212 West End Avenue, Nashville (Davidson County). The previous occupant of the space was an Outback Steakhouse. Features of the proposed facility include the following:

- Staffed by nurse midwives and a medical director through a professional services agreement with Vanderbilt University Medical Center (VUMC).
- Will include 4 birthing suites equipped with birthing tubs, support space for laboratory, sterilization of equipment, and a family room/kitchen.
- Will focus on a home-like and comfortable atmosphere for patients and their families.
- Will be less than 1.5 miles from VUMC. The medical center will provide both staffing support and emergency transfer services.

Birthing Center Experience

On page 2 of the first supplemental response the applicant provided a description of the birthing process at a birthing center. There are no licensed birthing centers currently available in Davidson County.

- A typical birth is attended by a certified nurse midwife (CNM) and a nurse. No anesthesiologists are members of the team
- The CNM provides continuous labor support and intermittent auscultation (Listening to the sounds of the body during a physical examination).
- Women are provided a variety of pharmacologic and nonpharmacologic comfort measures
- After delivery the CNM completes an assessment and ensures the mother is healthy and the baby is breastfeeding prior to discharge.
- The family is discharged 6-12 hours after delivery
- The CNM does a phone consultation within 24 hours of discharge and a home visit within 48 hours.
- For more details on the birthing process in a birthing center see page 2 of the first supplemental response.

Previously Approved CON vs. Proposed Project-Comparative Analysis

The following table compares some of the key features in the previously approved CON to the proposed project

Variable	CN1406-022	CN1501-003 (Proposed
	(Outstanding CON)	Project)
Square Footage	4,350 SF	7,800 SF
Birthing Suites	5	4 (May add 1 room from
		1 of 2 classrooms)
Birthing Suite Square	1,568 (5 rooms)	1,766 (4 rooms
Footage (SF)	· ·	
Family Room/Kitchen	290	875
SF		
Nurse Station SF	207	693
Classroom SF	275 (1 room)	744 (2 rooms)
Storage SF	78	249
Exam Rooms	3	3
Distance to VUMC	0.8 miles	1.4 miles
Parking	7-10 dedicated spaces	17 covered spaces
Global Charge to Patient	\$7,500	\$9,000
Total Project Cost	\$1,883,161.86	\$2,075,441.00
Professional/Clinical	\$650,844	\$793,613
Management Fees		
Project Completion Date	April 2015	October 2015

- The proposed new site provides a larger space for all of the applicant's key functional areas. It also offers more circulation space and an outside patio area.
- The proposed facility has 17 covered spaces. The original site had access to 20 spaces but only 7-10 would be dedicated to Baby + Company.
- The applicant justifies the increased patient global charge from \$7,500 to \$9,000 due to a better understanding of pass-through cost of employee benefits for professional staff provided by VUMC, the addition of an Outreach Coordinator, costs to employ quality full-time and part-time nurses in the Nashville market, and the cost for employed staff salaries including payment for call schedules.
- The justification for the increase in professional and clinical management fees is due to underestimating the Vanderbilt benefits overhead rate.

Need

The applicant provided two major reasons for filing this application to change sites:

- Increase of 3,450 square feet to provide larger space for all key functional areas.
- The addition of dedicated parking spaces that would be all under cover.

Service Area Demographics

Baby + Company's service area is Davidson County. The applicant's target population is females ages 15-44 who are expected to account for 80% or more of the 345 projected births in the first year of the project.

- According to the Department of Health report, the Age 15-44 female population in Davidson County is estimated at 148,468 in calendar year (CY) 2015 and comprises approximately 43.5% of the county's total female population.
- The 15-44 female population is expected to increase slightly (0.2%) to approximately 148,787 residents between CY2015 to CY2019.
- The overall statewide Age 15-44 female population is projected to grow by 2.4% from 2015 to 2019.
- The total population of Davidson County is expected to grow at a slightly higher pace from 2015 to 2019 (3.8%) than that of the state as a whole (3.7%).
- Approximately 20.3% of primary service area residents were enrolled in TennCare as of November 2014 compared to a 20.1% statewide average.
- Approximately 18.5% of the service area residents were below the federal poverty level from 2009 to 2013 compared to 17.6% statewide.

Sources: TDH Population Projection Data Files, TennCare Bureau website; Census Bureau Quickfacts.

The number of births by female residents, ages 15-44, of Davidson County for the past 3 years is summarized in the table below.

Births by Female Residents of Davidson County, 2011-2013

Year	Female population ages 15-44	Births to female residents, ages 15-44		
2011	148,719	9,601		
2012	148,795	9,721		
2013	148,929	9,911		

The table above reflects an increase of 0.1% in the female population from CY2011 to CY2013. There was a 3.2% increase in births by female residents from CY2011 – CY2013.

Service Area Historical Utilization

Total births by all female residents (ages 15-44) of Davidson County grew by approximately 3.2% from 9,601 births in calendar year (CY) 2011 to 9,911 total births in CY2013. There are 5 hospitals with OB services located in Davidson County. Review of their Joint Annual Reports maintained by the Department of Health revealed 15,424 total births at the 5 hospitals in CY2013, 15,567 births in CY2012 and 15,207 in CY2011, an increase of approximately 1.4% between CY2011 to CY2013. Of the 15,424 births at these hospitals in CY2013, approximately 9,724 or 63% were classified as vaginal deliveries - the low-risk target group of the applicant's proposal.

Birth trends in the service area hospitals between CY2011 and CY2013 are displayed in the tables below:

Table 1 - Utilization of Hospital OB Services in Davidson County, 2011-2013

Variable	St Thomas Midtown	Nashville General	VUMC	Centennial	Summit	Total
Deliveries- 2013	5,990	549	4,479	3,212	1,194	15,424
Deliveries- 2012	6,522	689	4,246	2,998	1,112	15,567
Deliveries- 2011	6,879	680	3,843	2,613	1,192	15,207
% Change '11- '13	-12.9%	-19.3%	+16.5%	+22.9%	No change	+1.4%

Sources: JAR

• The above chart reflects growth in total births at the 5 hospitals with OB services in Davidson County from CY2011 to CY2013 (1.4%). The largest increase was Centennial (22.9%); the largest decrease was Nashville General (-19.3%).

• As noted, there were no birthing centers operating in Davidson County during the period.

Projected Utilization

- The applicant is projecting 345 births at the proposed facility in Year 1 increasing to 480 births in Year 2.
- The applicant states that the volume projections are easily attainable based on the demand for a birthing center option, the mandated coverage under the Affordable Care Act, the number of potential patients, and the cost and health benefits associated with the birthing center model.

Project Cost

- The total project cost reflected in the Project Costs Chart is \$2,080,111.00.
- The major costs are the \$1,130,441 fair market value of the space (54.3%) and the construction cost of \$695,000 to renovate the facility to comply with all licensure requirements and building codes (33.4%). The estimated cost per square foot is \$89.13.
- For details of the project cost for the proposed birthing center, please see the Project Cost Chart on page 17 of the application.

Historical Data Chart

As a newly formed corporation, the applicant LLC has no prior record of birthing center fiscal operations.

Projected Data Chart

The applicant provided a Projected Data Chart on page 21 of the original application. Key financial performance highlights of the Projected Data Chart include the following:

- Gross Operating Revenue of \$3,105,000 in Year 1 on 345 births increasing by approximately 39.1% to \$4,320,000 on 480 births in Year 2.
- Deductions for contractual allowances amount to approximately \$1,490,574 in Year 1 or \$4,320 per birth.
- Charity Care is valued at \$372,644 in Year 1, an amount that equates to services for approximately 42 total births (\$372,644/\$9,000 per birth). The applicant expects charity care to increase to \$518,461 in Year 2.
- Net operating revenue is \$1,850,368 in Year 1 (\$5,363 per birth) and \$2,606,692 (\$5,431 per birth) in Year 2.
- In Other Expenses the applicant expects payments to Vanderbilt for Professional Services and Clinical Management Services to be \$793,613 in Year 1 and \$792,563 in Year 2.
- The birthing center expects favorable net operating income of \$104,563 in Year 1 increasing by 537% to \$666,233 in Year 2 largely, in part, as a result

of gains in utilization, spreading fixed costs over more births and less time devoted to costs related to the initiation of services such as time required for training and education.

Charges

The applicant states that it intends to bill a global or all-inclusive charge of \$9,000 per delivery in Year 1 and Year 2. A comparison of the applicant's charges to hospital charges, excluding professional fees, is shown in the table below provided in the original application. Hospital charges are classified by diagnostic related groups (DRG) according to severity of clinical condition in the <u>Tennessee Hospital Charges Report</u> found on the TDH website. The DRG classification that provides the closest comparison to the applicant's low-risk target population is shown in the table below as DRG-560 – vaginal delivery.

Delivery Charges of Davidson County Hospitals, DRG 560

Hospitals in Service Area	Vaginal Deliveries-DRG 560
Nashville General	\$5,836
St Thomas Midtown	\$12,885
VUMC	\$10,548
Centennial	\$16,188
Summit	\$12,976

Payor Mix

The applicant states that TennCare is contracted with all 3 licensed birthing centers in Tennessee. Further, the applicant notes that birthing centers are covered under provisions of the Affordable Care Act. If the proposed project is approved, the applicant expects a 30% TennCare payor mix and 46% commercial insurance, the balance being a combination of self-pay, charity care, and bad debt.

Financing

The applicant provide letters from an executive vice president of Maternity Centers of America, LLC (MCA) and the chief financial officer of Fortress Equity Partners, the general partner of Fortress Equity Partners, LP (MCA's investor/owner) stating that approximately \$1,348,481 in start-up costs and working capital will be funded from their cash reserves.

Review of MCA's unaudited Balance Sheet for August 2014 indicates \$1,717,012 in cash, total current assets of \$1,946,351, total current liabilities, excluding a Loan Payable, of \$212,307 and a current ratio of 5.91 to 1.0. An unaudited financial statement from Fortress Equity Partners indicated investments of \$71,480,000 and cash and cash equivalents of \$316,000. The applicant provided audited financial statements from Fortress Investment Group, LLC which of December 31, 2013 had cash and cash equivalents of \$364,583,000.

Note to Agency Members: In Supplemental 2 the applicant clarified that although Fortress Investment Group, LLC created Fortress Equity Partners (A), LP, Forrest Investment Group, LLC had no legal obligation to contribute capital to Fortress Equity Partners (A), LP.

Note to Agency Members: Current Ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

The nurse midwife staff and the medical director will be provided through a professional services agreement with VUMC. The only clinical staff that the applicant will employ in the first year are 1 full-time RN and 2.4 RNs who will be on call to work as needed.

Licensure/Accreditation

If approved, the applicant will be licensed by the Department of Health and will apply for accreditation by the Commission on the Accreditation of Birth Centers. If approved, Baby + Company Nashville hopes to initiate services in September 2015.

Corporate documentation and real estate documentation is on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, pending applications, or denied applications for this applicant.

Outstanding Certificates of Need

Baby + Company, CN1406-022A, has an outstanding Certificate of Need that will expire on November 1, 2016. The project was approved at the September 24, 2014 Agency meeting for the establishment of a birthing center with 5 birthing suites. The estimated project cost was \$1,883,161.86. Project Status Update: This CON will be surrendered if the proposed project is approved.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications for other health care organizations in the service area proposing this type of service.

Outstanding Certificates of Need

Vanderbilt University Hospitals, CN1406-021A, has an outstanding Certificate of Need that will expire on November 1, 2020. The project was heard at the September 24, 2014 Agency meeting for the relocation of the obstetrical program, the newborn nursery, and the neonatal unit from Vanderbilt University Hospital to Monroe Carell Jr. Children's Hospital, the addition of 23 obstetrical beds and 24 neonatal/pediatric critical care beds, the addition of 61 adult acute care beds, the renovation of 79,873 square feet and new construction of 126,686 square feet. The estimated total project cost is \$118,276,950.00. Project Status Update: This project was recently approved.

Monroe Carell Jr, Children's Hospital at Vanderbilt, CN0710-075AME has an outstanding Certificate of Need that will expire on March 1, 2018. The project was approved at the January 23, 2008 Agency meeting for the expansion of The Monroe Carell Jr. Children's Hospital to include the construction of a new building and the net increase of 105 licensed beds. The estimated project cost is \$120,000,000.00. Project Status Update: Based on an Annual Progress Report received March 3, 2015, final plans are being prepared and reviewed. A construction firm is onsite and prepared to begin once drawings are approved.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF 03/04/15

LETTER OF INTENT



State of Tennessee 12 Health Services and Development Agency

Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to	be published in the $_$		essean	which is a n	ewspaper
of general circulation in	Davidson	•	Newspaper) e, on or before _	January 10	, 20 15 ,
	(County)			(Month / day)	(Year)
for one day.					
This is to provide official noti accordance with T.C.A. § 68-that:	ce to the Health Service 11-1601 et seq., and t	ces and Developed the Rules of the	Health Service	s and Developm	ent Agency,
Baby + Company Nashville (Name of Applicant)				posed Birthing C Facility Type-Existin	
owned by: Baby + Company	Nashville 1 LLC	with an own	55	imited liability co	
intends to file an application	for a Certificate of Nee	d to relocate t	he Birthing Cent	er originally app	roved by the
Agency in CN1406-022 for le	eased space at 2106 2	21 st Avenue, N	ashville, TN 372	212 to leased sp	ace at 3212
West End Avenue, Nashville	, TN 37203. The facili	ty will include	4 birthing suites	s, 3 examination	rooms, and
various support areas. The fa	acility will occupy appro	oximately 7,800	sq. ft. The pro	ject will not invo	olve licensed
beds, the acquisition of major					
of need is required. The total	¥1				
The anticipated date of filing	the application is:	January 15	, 2015	5_	
The contact person for this pr	roject is	Dan Elrod (Contact Name)		Attorno (Title)	
who may be reached at:	Butler Snow LLI (Company Name)	Ρ	150 3 rd Aver	ue South, Suite (Address)	1600
Nashville	TN		37201		1-6702
(City)	(State)	,	(Zip Code)	(Area Code / Pho	ne Number)
Mane		1/9	/2015	dan.elrod@butle	
(Signature)			Date)	(E-mail Add	dress)
The Letter of Intent must be filast day for filing is a Saturdathis form at the following add	ay, Sunday or State Ho ress: Health Services a Andrew Jacks 502 De	liday, filing mu	st occur on the nt Agency ^h Floor	tenth day of the preceding busin	month. If the
The published Letter of Intent muinstitution wishing to oppose a Ce Agency no later than fifteen (15) da	rtificate of Need application	n must file a writt	en notice with the	Health Services an	d Development

application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health

Services and Development Agency at or prior to the consideration of the application by the Agency.

HF51 (Revised 01/09/2013 – all forms prior to this date are obsolete)

COPY
-Application
Baby +
Company

CN1501-003

Butler | Snow

January 15, 2015

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Baby + Company Nashville, Certificate of Need Application

Dear Ms. Hill:

I am enclosing the original and two (2) copies the certificate of need application referenced above, along with a check in amount of \$4,670 for the filing fee.

The enclosed application is for the relocation of a facility that was approved by the Agency in September. The scope of the project has not changed, and the distance between the original location and the proposed location is only about 1.5 miles. Under the circumstances, we respectfully request that this application be placed on the consent calendar.

Thank you for your attention to this matter.

Very truly yours,

BUTLER SNOW LLP

Dan H. Elrod

clw Enclosures

> The Pinnacle at Symphony Place 150 3rd Avenue South, Suite 1600 Nashville, TN 37201

DAN H. ELROD 615.651.6702 dan.elrod@butlersnow.com T 615.651.6700 F 615.651.6701 www.butlersnow.com

Certificate of Need Application

Submitted to the Tennessee Health Services and Development Agency by

Baby + Company Nashville

January 15, 2015

1.	Name of Facility, Agency, or Institution		UT7 Yeard Heart Faller
	Baby + Company Nashville Name		Fades prong
	3212 West End Avenue Street or Route		<u>Davidson</u> County
	Nashville City	<u>Tennessee</u> State	<u>37203</u> Zip Code
2.	Contact Person Available for Response	s to Questions	× ×
	Dan Elrod	Attc	orney
	Name		Title
	Butler Snow LLP Company Name	dar	n.elrod@butlersnow.com Email address
4	150 3 rd Avenue South, Suite 1600 Street or Route	Nashville City	TN 37201 State Zip Code
	Attorney Association with Owner	(615) 651-6702 Phone Number	
3.	Owner of the Facility, Agency or Institut	tion	*
	Baby + Company Nashville 1 LLC Name		(479) 877-9579 Phone Number
	509 New Waverly Place, Suite 210		Wake
	Street or Route		County
		NC State	<u>27519</u> Zip Code
	City	Sidle	Zip Code
See A	Attachment A, Item 3	F2 H	· ·
4.	Type of Ownership of Control (Check Or	ne)	Ti.
a av.	A. Sole Proprietorship B. Partnership C. Limited Partnership D. Corporation (For Profit) E. Corporation (Not-for-Profit)	Political S G. Joint Ver H. Limited L	nent (State of TN or Subdivision) nture Liability Company pecify)
3.	See Attachment A, Item 4	*	2

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5.	Name of Management/Operating Entity (If Applicable)									
	Name			> I						
	Street or Route		_	County						
	City	s	tate	Zip Code						
3	PUT ALL ATTACHMENTS AT TREFERENCE THE APPLICABLE I				ER AND					
6.	Legal Interest in the Site of the In	stitution (Ch	reck One)							
	A. Ownership B. Option to Purchase C. Lease of Years		Option to Leas Other (Specify)		<u> </u>					
	PUT ALL ATTACHMENTS AT T REFERENCE THE APPLICABLE I				ER AND					
	See <u>Attachment A, Item 6</u>	. V			ä					
7.	Type of Institution (Check as app A. Hospital (Specify) B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty C. ASTC, Single Specialty D. Home Health Agency E. Hospice F. Mental Health Hospital G. Intellectual Disability Institutional Habilitation Facility (IDIHF) (ICF/IID formerly (ICF/MR)	H. I. J. K. L. M. N. O.	Nursing Home Outpatient Diag Rehabilitation F Residential Hos Nonresidential Substitution-Ba Center for Opia Birthing Center Other Outpatie Other (Specify)	gnostic Center Facility spice used Treatment ate Addiction ont Facility						
8.	Purpose of Review (Check as app A. New Institution B. Replacement/Existing Facility C. Modification/Existing Facility D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) E. Discontinuance of OB Services F. Acquisition of Equipment		Change in Bed [Please note th by underlining to response: Increase Designation, Di Conversion, Re	Complement e type of change the appropriate ease, Decrease, istribution, elocation]	<u>X</u>					

9.	<u>Bed Complement Data</u> Please indicate current and propos	ed distribution	and cer	tificatior	of facility	
		Curren <u>Licensed</u>	t Beds <u>*CON</u>	Staffed <u>Beds</u>	Beds <u>Proposed</u>	TOTAL Beds at <u>Completion</u>
	A. Medical B. Surgical				-	
.2	C. Long-Term Care Hospital D. Obstetrical	-	-	19		+1
	E. ICU/CCU F. Neonatal					
	G. Pediatric H. Adult Psychiatric					
	Geriatric Psychiatric Child/Adolescent Psychiatric	<u> </u>				
	K. RehabilitationL. Nursing Facility - SNF (Medicare onlyM. Nursing Facility - NF (Medicaid only))		_		
	N. Nursing Facility – SNF/NF (dually ce Medicaid/Medicare)					
	O. Nursing Facility – Licensed (non-Cer P. IDIHF	rtified)				
	Q. Adult Chemical Dependency R. Child and Adolescent Chemical Dependency		-	2 		
	S. Swing Beds T. Mental Health Residential Treatme	ent				
	U. Residential Hospice TOTAL *CON-Beds approved but not yet in service		_			
10.	Medicare Provider Number	<u>* </u>				
	Certification Type					
11.		e applied for ng Center				
12.	If this is a new facility, will certificat		or Medi	care and	or Medica	aid?
	X Yes - The facility will apply for			93		_
	No NA	10		25		
13.	Will this project involve the treatment serving Middle Tennessee. TennCare Community Group, Amerigroup, and T	MCOs serving N				

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility, staffing, and how the project will contribute to the orderly development of adequate and effective healthcare.

Response: The applicant seeks approval to relocate the birthing center approved by the Agency in CN1406-022. The original location in CN1406-022 is 2106 21st Avenue. This location was the subject of a letter of intent executed by the applicant and the property owner. However, after approval of the original application by the Agency on September 24, 2014, the applicant identified a superior site that is more spacious, offers better parking and is conveniently located to Vanderbilt University Medical Center ("VUMC"). If approved, the relocated birthing center will be in approximately 7,800 sq. ft. of leased space at 3212 West End Avenue, approximately 1.5 miles from the original location.

The building in which the proposed birthing center will be located was constructed in 1984. It is a 5-story building zoned as ORI with overlay district OV-UZO, which will accommodate birthing center occupancy. The history of use of the building is commercial mixed use, with the current tenants being of the same (specifically, in the areas of dentistry, engineering and general business). The space to accommodate the proposed birthing center was previously an Outback Steakhouse. The applicant will be able to undertake necessary renovations if the certificate of need is granted.

The proposed facility, like the originally approved facility, will be staffed by nurse midwives and a medical director through a professional services agreement with VUMC. The birthing center model is based on the concept that childbearing is a normal physiologic process, and that mothers with low risk of complications can safely deliver in home-like setting on an outpatient basis. In addition to obstetrical care, the facility will also provide pre-conception and fertility counseling, pre-natal exams and after-birth follow up. The facility will provide educational classes in subjects such as birth preparation and breastfeeding.

The facility will consist of 4 birthing suites, 3 examination rooms, a laboratory, a sterilization room, two classrooms, a family room/kitchen and various support areas. The applicant intends to convert one of the classrooms to a 5th birthing suite when demand for services justifies such conversion. Each of the birthing suites will be equipped with a birthing tub. Physical facilities and amenities will be home-like and comfortable for patients and their

families. The facility will be located in close proximity (less than 1.5 miles) to VUMC, thus assuring the timely transport of the rare patients who require hospital care. See Attachment B, I (Map to VUMC).

The applicant is a wholly-owned subsidiary of Maternity Centers of America ("MCA") based in Cary, North Carolina. MCA is led by Dr. Cara Osborne. Dr. Osborne's education includes an MSN in Midwifery from the Vanderbilt School of Nursing and MS and ScD degrees in maternal and child health from Harvard. She is nationally known as an educator and leader in the fields of midwifery and birth centers.

MCA currently operates birthing centers in Rogers, AR and Cary, NC, and it has facilities under development in Denver, CO and Charlotte, NC.

The service area for the facility is Davidson County. Given the outpatient nature of the service, the applicant expects that at least 80% of its patients will be Davidson County residents

The need for the relocation is based on the applicant's identification of a superior site that offers increased space and better parking. The need of the proposed birthing center itself was established by the Agency approval of CN1406-022.

The total project cost is \$2,075,441, which includes the fair market value of the portion of the building applicant will lease. Actual capital outlay for construction and equipment and certificate of need process is approximately \$949,670. The initial capital outlay and working capital will be provided by MCA and its investor/owner.

As indicated in the Projected Data Chart, the facility will achieve a positive financial result in the first full year of operation. All midwife staffing will be provided by VUMC through a contract, and the facility will employ 3.4 RN FTEs.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
 - A. For the establishment or modification of a healthcare institution describe the development of and need for the proposal. Health care institutions include:
 - 1. Nursing home
 - 2. Hospital
 - 3. Ambulatory Surgical Treatment Center
 - 4. Birthing Center
 - 5. Mental Health Hospital
 - 6. Intellectual Disability Institutional Habilitation Facility
 - 7. Home Care Organization (Home Health Agency or Hospice Agency)
 - 8. Outpatient Diagnostic Center
 - 9. Rehabilitation Facility
 - 10. Residential Hospice
 - 11. Nonresidential Substitution-based Treatment Center for Opiate Addition

Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

Response: The project will require the remodel and conversion of approximately 7,800 sq. ft. of leased space. The facility includes 4 birthing suites, all of which will be equipped with a birthing tub, 3 examination rooms, a sterilization room, a laboratory, a kitchen and lounge area for families, two classrooms (one of which the applicant intends to convert to a 5th birthing suite when demand for services justifies such conversion), various support areas, accessible restrooms, storage, utility and entry lobby spaces. The construction cost for the project is approximately \$89.13 per sq. ft. A letter from the project architect at Attachment C, Economic Feasibility-1(Architect Letter) confirms the reasonableness of the project cost. The design of the birthing center will conform to the 2010 AIA Guidelines for Design and Construction of Healthcare Facilities (or more recent version if available).

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services. Response: Not applicable.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

Sost/ SF	Total	176,600	12,768	105,875	12.710	55,440		59,520	18,675	26,568	20,160	154,400		\$642,716		\$52,500	\$695,216
Final C	New										7.				i.		v
Proposed Final Cost/ SF	Renovated	100	114	121	82	80		80	75	82	80	80	ţ.			75	89.13/SF
iquare	Total	1766 net	112 net	875 net	155 net	693 net		744 net	249 net	324 net	252 net	1930	2			-	4
ed Final S Footage	New					780.1											
Proposed Final Square Footage	Renovated	1766 net	112 net	875 net	155 net	693 net		744 net	249 net	324 net	252 net	1930 net			т.		3
Proposed Final	Location	1766	112	875	155	693		744	249	324	252	1930		7100 NSF	e	700 GSF	7800 GSF
Temporary		9								5			The Control of the Co		i e		
Existing	5																×
Existing		-		10 mg/m								æ			E .	181	
A. Unit/Department		Birth Rooms	Public Restrooms	Family Area / Kitchen	Sterilization / Lab	Nurses Station/ Office/Staff/	Family	Classroom	Storage	Exam Rooms	Utility Space	Circulation		B. Unit/Depart. NSF Sub-Total	C. Mechanical/ Electrical GSF	D. Patio/ Structure GSF	E. Total GSF

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):
 - 1. Adult Psychiatric Services
 - 2. Hospital-Based Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
 - 3. Burn Units
 - 4. Cardiac Catheterization Services
 - 5. Child and Adolescent Psychiatric Services
 - 6. Extracorporeal Lithotripsy
 - 7. Home Health Services
 - 8. Hospice Services
 - 9. Magnetic Resonance Imaging (MRI)
 - 10. Neonatal Intensive Care Unit
 - 11. Opiate Addiction Treatment provided through a Non-Residential Substitution-Based Treatment Center for Opiate Addiction
 - 12. Open Heart Surgery
 - 13. Positron Emission Tomography
 - 14. Radiation Therapy/Linear Accelerator
 - 15. Rehabilitation Services
 - 16. Swing Beds
 - 17. Discontinuation of any obstetrical or maternity service
 - 18. Closure of a Critical Access Hospital
 - 19. Elimination in a critical access hospital of any service for which a certificate of need is required

Response: Not applicable

D. Describe the need to change location or replace an existing facility.

Response: The applicant needs to relocate as the result of its identification of a superior site that is more spacious than the original location and offers better parking.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:
 - 1. For major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 - 1. Brief description of equipment including characteristics such as fixed or mobile; expected vendor and model (if known); for MRI use descriptors such as Tesla strength, open/closed bore; for linear accelerators use descriptors such as MeV strength, IMRT/IGRT/SRS capability; etc.;
 - 2. Total cost (As defined by Agency Rule 0720-9-.01(13))
 - a. By Purchase or
 - b. By Lease;
 - Expected useful life;
 - 4. List of clinical applications to be provided;

- 5. Documentation of FDA approval; and
- 6. For mobile major medical equipment list all sites that the unit is currently serving and its current schedule of operations at those sites.
- b. Provide current and proposed schedules of operations.

Response: Not applicable

2. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Response: Not applicable

- III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:
 - 1. Size of site (in acres);
 - 2. Location of structure on the site; and
 - 3. Location of the proposed construction.
 - 4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

See Attachment B, III.(A).

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. (Not applicable to home health or hospice agency applications.)

Response: The proposed site is located on a major thoroughfare that is serviced by a Nashville Metro Transit Authority bus route that stops near the location approximately every twenty minutes. The proposed site sits approximately one-half mile northeast of Interstate 440 and less than 1.5 miles southwest of VUMC. As a result of its location on a major thoroughfare, the proposed site will be very accessible to patients and clients.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. (Not applicable to home health or hospice agency applications.)

NOTE: **<u>DO NOT SUBMIT BLUEPRINTS</u>**. Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B, IV.

V. For a Home Health Agency or Hospice, identify:

- Existing service area by County;
- 2. Proposed service area by County;
- 3. A parent or primary service provider;
- 4. Existing branches; and
- 5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

- 1. Describe the relationship of this proposal toward the implementation of the State Health Plan and <u>Tennessee's Health: Guidelines for Growth</u>, if applicable.
 - a. Please discuss how the proposed project will relate to the <u>5 Principles for Achieving</u>
 <u>Better Health</u> found in the State Health Plan. Please list each principle and follow it with a response.

Response:

Healthy Lives

This project promotes maternal and newborn health by providing a safe, cost-effective, comfortable option for low-risk mothers. A study in 2013 based on data from 79 birthing centers in 33 states showed that only 6% of women who planned deliveries at a birth center were transferred to a hospital for a cesarean section; only 1.9% of mothers or newborns required emergent transfer during labor or after birth; and there were no maternal deaths. "Outcomes of Care in Birth Centers: Demonstration of a Durable Model," Journal of Midwifery & Women's Health, Vol.58, No.1, January/February 2013.

Access to Care

The birthing center model currently does not exist in Nashville, with the closet birthing center located about 75 miles away. This project will make the birthing center alternative

available to low-risk mothers in the Nashville area. The new location for the facility will be as accessible to patients as the original location.

The applicant intends to contract with all TennCare MCOs in the area, thus assuring access to the facility by low-income mothers. Section 2301 of the Patient Protection and Affordable Care Act requires Medicaid plans to reimburse for services in a licensed birthing center. The applicant understands that TennCare MCO plans already include the existing birthing centers in the state of their networks. In light of the fact that there are currently no birthing centers in the Nashville area, and in light of section 2301 of the PPACA, the applicant is confident that it will be included in all TennCare plans covering enrollees in Middle Tennessee, including those that may be offered in 2015 and subsequent years. The applicant has been in contact with the TennCare plans currently serving Middle Tennessee, and the applicant intends to pursue contract negotiations with these plans.

Economic Efficiencies

As demonstrated in the application for the original facility, the birthing center model is a cost-effective alternative to hospital-based care for low-risk mothers. The average charge for low-risk deliveries in 2012 at the Nashville hospitals for which the Department of Health has data was \$11,687. These charges do not include the professional services.

According to a report in January 2013 by Truven Health Analytics, <u>The Cost of Having a Baby in the United States</u>, in 2010, the national average charge for physician services related to vaginal deliveries (anesthesia and delivery) totaled \$8,414.

The applicant's global charge for all services is projected to be \$9,000.

Quality of Care

Quality of care in the proposed facility is assured. Midwife staffing and the Medical Director will be provided by VUMC pursuant to a Professional Services Agreement. See <u>Attachment C. Need-1.a.</u> The facility plans to qualify for accreditation by the Commission on the Accreditation of Birth Centers, as is MCA's center in Rogers, AR.

Health Care Workforce

The facility will support the development of Certified Nurse Midwives by offering a facility in which deliveries are handled by Certified Nurse Midwives. In addition, the facility will enter into a clinical affiliation agreement with Vanderbilt University School of Nursing, pursuant to which the facility will be a site for clinical training. The applicant is open to working with other schools of nursing for use of the facility as a training site. The applicant believes that the clinical staff at other Birthing Centers will have already been properly trained in order to comply with licensing and accreditation standards. The applicant, however, will invite clinical staff from other Birthing Centers to participate in continuing education programs at the proposed facility.

b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the <u>Guidelines for Growth</u>) here.

Response: See Change of Site discussion below.

SUPPLEMENTAL-1

January 23, 2015 3:00pm

ATTACHMENT F

c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response Jartiary 23, 2015 Criterion and Standards (4)(a-c) of the Guidelines for Growth. 3:00pm

Responses to the criteria in the <u>Guidelines for Growth</u> applicable to Change of Site are as follows:

a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

Response: The service area for the facility will remain Davidson County, and the applicant continues to expect that at least 80% of its patients will be Davidson County patients. Similar to the previously approved site, the proposed new site is located on a major thoroughfare that is serviced by a Nashville Metro Transit Authority bus route that stops near the location approximately every 20 minutes. As a result of its location on a major thoroughfare, the proposed site will be very accessible to patients and clients. The proposed new site is just as convenient to Vanderbilt University and Interstate 440 as the original site.

The need to relocate is a result of the applicant's realization that the proposed new site offers a more spacious environment as well as substantially better parking for patients and their families.

b) *Economic factors*. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Response: The proposed new site will be similarly economically beneficial to the population to be served as the original site. As demonstrated elsewhere in the application, the birthing center model is a cost-effective alternative to hospital-based care for low-risk mothers. The average charge for low-risk delivers in 2012 at the Nashville hospitals for which the Department of Health has data was \$11,687, and these charges do not include the professional services as noted above. The applicant's global charge for all services is projected to be \$9,000. The global charge projected in the application is greater than the \$7,500 global charge projected in the original application. The projected increase in charges is due to the applicant's experience with its other facilities and a recognition that staff costs, including benefits, will be higher than originally anticipated. A global charge of \$9,000 remains substantially less than hospital-based charges, particularly when professional fees are taken into account.

c) Contribution to the Orderly Development of Health Care Facilities and/or Services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

Response: The only known delay at this time is that resulting from the change in location of the Birthing Center. The original site's timeline for completion had a completion date of April 2015; whereas, the new site's timeline for completion has a completion date of October 2015. The only other potential delay at this time would be delays resulting from negotiations with the landlord of the proposed new site.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: As expressed in the application for the original facility, Maternity Centers of America has a long-range plan of providing the birthing center option for low-risk mothers in as many markets as possible in the U.S. In developing new birthing centers, MCA will seek collaboration with existing hospital-based obstetrical services, consistent with its vision that birthing centers are complementary to hospital-based services. The relocation proposed in this appreciation will contribute to MCA's long-range plans.

3. Identify the proposed service area <u>and</u> justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

Response: The applicant considers Davidson County as its primary service area. In light of the outpatient nature of birthing center services, the applicant expects that at least 80% of its patients will be Davidson County residents.

See Attachment C, Need - 3.

4. A. 1) Describe the demographics of the population to be served by this proposal.

Response: The demographic characteristics of Davidson County are described on Attachment C, Need - 4.A.(1).

2) Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area:

Respońse: The service area for the project is Davidson County, and the target population is Females Age 15-44.

Demographic Variable/ Geographic Area	Service Area Total	State of TN Total
Total Population – Current Year	663,151	6,649,438
Total Population – Projected Year	676,131	6,772,022
Total Population - % change	1.96%	1.84%
*Target Population – Current Year (2015)	148,468	1,306,684
*Target Population – Projected Year (2017)	148,162	1,317,765
Target Population - % Change	(.21%)	.85%
Target Population - Projected Year as % of Total	21.9%	19.5%
Median Age	33.9	38
Median Household Income	\$46,676	\$44,140
TennCare Enrollees	120,575	1,207,604
TennCare Enrollees as % of Total	18.37%	18.33%
Persons Below Poverty Level	115,935	1,097,876
Persons Below Poverty Level as % of Total	18.5%	17.3%

Sources: Department of Health Population data; Bureau of TennCare enrollee data; US Census demographic data

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The focus of the project will be low-risk mothers. The applicant expects to be contracted with all TennCare MCOs that operated in Middle Tennessee, and the facility will be accessible to low income women.

The following table is provided in anticipation that the Agency would like to consider in its review of this application the total eligible female population and total number of births to female residents of the 5-county service area during the most recent four years that birth data is available.

Year	Female Population age 15-44	Births to Female Residents ages 15-44		
2010	147,746	9,557		
2011	148,719	9,601		
2012	148,795	9,721		
2013	148,927	9,911		
% Change	.8%	3.6%		

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. Projects including surgery should report the number of cases and the average number of procedures per case.

Response: All current obstetrical services in Nashville are in hospitals. There follows a chart of Nashville hospitals providing obstetrical service with the number of live births reported by the hospitals in their JARs for the past 3 years.

Nashville Hospitals		Live Births from JAF	<u>Rs</u>
With Obstetrical Service	2013	<u>2012</u>	<u>2011</u>
St. Thomas Midtown	6,092	6,522	6,879
Nashville General	543	689	680
Vanderbilt	4,554	4,246	3,843
Centennial Medical Center	3,137	2,998	2,613
Summit Medical Center	1,194	1,112	1,192

The following table is provided in anticipation that the Agency would like to consider in its review of this application the total number of hospital OB beds in service and their occupancy.

Hospital OB Capacity and Utilization in Davidson County, 2010 - 2013

	2013	2012	2011	2010
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# births by female residents of county age 15-44	9,911	9,721	9,601	9,557
Total # births reported by Davidson County hospitals (JAR)	15,520	15,567	15,207	15,042
# births at hospitals classified as vaginal deliveries	9,724	9,766	9,365	9,102
Total hospital OB beds set up and staffed (Post-Partum and LDRP rooms)	170	167	167	149
OB Bed occupancy*	82.6%	82.9%	81.6%	95.3%

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization through the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology <u>must include</u> detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: The applicant projects a total of 345 cases the first year of operation and 480 cases the second full year. Based on the significant unmet demand for the birth center option and the project's relationship with VUMC, these projections are easily achievable. Relocation of the facility will not change expected utilization.

For the purposes of presenting a conservative projection, the applicant has assumed an extended ramp up period extending well into the first full year of operation. This has the effect of causing the projection for the 2nd full year to appear to be a significant increase. As discussed in the original application and in this application, the volume projection are easily attainable based on the demand for Birthing Center option, the mandated coverage under PPACA, the number of potential patients and the cost and health benefits associated with the Birthing Center model.

ECONOMIC FEASIBILITY

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: The fair market value of the portion of the building allocable to the applicant is \$1,130,441. The applicant will occupy 23.17% of the building (7,800/33,664 sq. ft.). Per the letter from the building owner (Attachment C, Economic Feasibility – 1 (Building FMV)), the current fair market value of the entire building is \$4,878,900. The aggregate lease payments for the initial 5-year term of the lease will be \$942,985. As the fair market value is greater than the aggregate lease payments to be made over the next five years, the proportional value is used as building cost for the certificate of need application.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; <u>documentation must be</u> provided from a licensed architect or construction professional that support the estimated construction costs. Please provide a letter that includes:
 - 1) a general description of the project;
 - 2) estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements; and
 - 3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

Response: See architect letter attached under <u>Attachment 'C, Economic</u> <u>Feasibility – 1</u>(Architect Letter).

PROJECT COSTS CHART

	. 33	E. C.
) =	PROJECT COSTS CHART	10
A.	Construction and equipment acquired by purchase:	casses Tissus Marie Secreta Foresty
	Architectural and engineering Fees	\$45,000.00
	Legal, Administrative (Excluding CON Filing Fee),	e e
	Consultant Fees	\$25,000.00
	3. Acquisition of Site	
	4. Preparation of Site	
	5. Construction Costs	\$695,000.00
	6. Contingency Fund	
	7. Fixed Equipment (Not included in Construction Contract) _	\$130,000.00
	8. Moveable Equipment (List all equipment over \$50,000)	\$50,000.00
	9. Other (Specify)	
D		÷
B.	Acquisition by gift, donation, or lease:	\$1,130,441.00
	Facility (inclusive of building and land)	ψ1,130,441.00
	2. Building only	
	3. Land only	
175	4. Equipment (Specify)	
:*:	5. Other (Specify)	7
C.	Financing Costs and Fees	
	1. Interim Financing	
	2. Underwriting Costs	
	3. Reserve for One Year's Debt Service	
54	4. Other (Specify)	3 *
D.	Estimated Projected Cost(A+B+C)	\$2,075,441.00
E. ,	CON Filing Fee	\$4,670.00
F _{sc}	Total Estimated Project Cost (D+E) TOTAL	2,080,111.00

	2.	Identify	the	funding	sources	for	this	proi	ect
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Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

	A.	Commercial loanLetter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
□ :	B.	Tax-exempt bondsCopy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
	C.	General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
	D.	GrantsNotification of intent form for grant application or notice of grant award; or
\boxtimes	E	Cash ReservesAppropriate documentation from Chief Financial Officer.
	F.	Other—Identify and document funding from all other sources.
	See	funding confirmation at Attachment C. Economic Feasibility- 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The reasonableness of the construction cost is confirmed by the letter from the project architect (Attachment C, Economic Feasibility-1(Architect Letter)). The most recent birthing center project approved by the Agency was submitted by the applicant for the same project at another site, CN1406-022. The construction cost involved in the project at the original site was \$103.24 per sq. ft. Prior to that, the most recent birthing center project approved by the Agency was Infinity Birthing Center, CN0705-042, in Cookeville. The construction cost involved in that project was \$121.50 per sq. ft., so the construction cost for the project in this application (\$89.13 per sq. ft.) compares favorably. By way of additional comparison, the median cost for hospital renovation construction in certificate of need applications 2011-2013 is \$179.00 per sq. ft.

4. Complete Historical and Projected Data Charts on the following two pages--<u>Do not modify</u> the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should

also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The gross charge for labor and delivery is projected to be \$9,000, the average deduction is projected to be \$4,320 and the average net payment is projected to be \$4,680. This is a global charge and includes all services provided in connection with a labor and delivery case.

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month). Year____ Year____ A. Utilization Data (Specify unit of measure) B. Revenue from Services to Patients Inpatient Services 1. \$ \$_____ 2. **Outpatient Services** 3. **Emergency Services** Other Operating Revenue 4. (Specify) _____ **Gross Operating Revenue \$** Ċ. **Deductions from Gross Operating Revenue Contractual Adjustments** 1. 2. **Provision for Charity Care** 3. Provisions for Bad Debt **Total Deductions NET OPERATING REVENUE** D. Operating Expenses 1. Salaries and Wages 2. Physician's Salaries and Wages 3. **Supplies** 4. **Taxes** 5. Depreciation 6. Rent 7. Interest, other than Capital 8. Management Fees: a. Fees to Affiliates b. Fees to Non-Affiliates 9. Other Expenses – Specify on Page 23 **Total Operating Expenses** Other Revenue (Expenses) – Net (Specify) **NET OPERATING INCOME (LOSS)** Capital Expenditures 1. Retirement of Principal 2. Interest Total Capital Expenditures \$_ **NÈT OPERATING INCOME (LOSS)** LESS CAPITAL EXPENDITURES

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in <u>January</u> (Month).

12,				Year <u>2016</u>	Year <u>2017</u>
A.	Utili	zation Data (Specify unit of measure)		345	480
В.	Revenue from Services to Patients		ı		ve 10
	1.	Inpatient Services		<u></u>	
	2.	Outpatient Services	2015	\$3,105,000	\$4,320,000
	3.	Emergency Services			
	4.	Other Operating Revenue (Specify) Retail, Class	ses, Drugs	\$235,942	\$360,534
		Gross Operatin	g Revenue	\$3,340,942	\$4,680,534
C.	Ded	uctions from Gross Operating Revenue			
	1.	Contractual Adjustments		\$1,043,402	\$1,451,690
	2.	Provision for Charity Care		\$372,644	<u>\$518,461</u>
	3.	Provisions for Bad Debt		\$74,529	\$103,692
		Total !	Deductions	\$1,490,574	\$2,073,842
NET	OPE	RATING REVENUE		\$1,850,368	\$2,606,692
D.	Ope	rating Expenses			32.
	1.	Salaries and Wages		<u>\$410,212</u>	<u>\$446,076</u>
	2.	Physician's Salaries and Wages			
	3.	Supplies	e e	<u>\$234,610</u>	<u>\$389,251</u>
	4.	Taxes	8	×	
	5.	Depreciation	(ii	\$917	\$2,017
	6.	Rent		<u>\$203,970</u>	<u>\$209,170</u>
	7.	Interest, other than Capital			
1.0	8.	Management Fees		8 "	
		a. Fees to Affiliates			
		b. Fees to Non-Affiliates			
	9.	Other Expenses – Detail on Following Page	·	\$896,096	<u>\$893,946</u>
		Total Operating	Expenses	\$1,745,805	\$1,940,459
E.	Othe	er Revenue (Expenses) – Net (Specify)			
NET	OPE	RATING INCOME (LOSS)		<u>\$104,563</u>	<u>\$666,233</u>
F.	Capi	tal Expenditures			
	1.	Retirement of Principal			
	2.	Interest		· · · · · · · · · · · · · · · · · · ·	
		Total Capital Ex	penditures		
		RATING INCOME (LOSS)	9.		
LES	S CA	PITAL EXPENDITURES			

HISTORAL DATA CHART – OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year	Year	Year
1.	\$. \$. \$
2.	**		
3.		e :	
4.		C ::	S: 10
5.		• •	y 0
6.	Se	ke a	S 20
7.		0.0	#: 0
Total Other Expenses	\$. \$	\$

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2016	Year 2017
1. Payments to Vanderbilt for Professional Services	<u>\$744,250</u>	<u>\$744,250</u>
2. Payments to Vanderbilt for Clinical Management Services	<u>\$49,363</u>	<u>\$48,313</u>
3. Miscellaneous (marketing, accounting, utilities, etc.)	\$102,483	<u>\$101,343</u>
Total Other Expenses	\$896,096	\$893,946

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation using proposal. Additionally, describe the anticipated revenue from the proposed project and 100 pm the impact on existing patient charges.

Response: The applicant's projected charge for a labor and delivery case will be \$9,000, which will cover all services provided in connection with a delivery.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The only source that the applicant has been able to identify for obstetrical charges is the 2012 Tennessee Hospital Discharge Data Report created by the Tennessee Department of Health. This report shows charge data for various DRGs classified by severity under the categories of "minor", "moderate" and "major". In the case of Vaginal Delivery (DRG 560), the applicant believes the category of "minor" includes the low-risk birth cases that it will serve. The charge data from the Report for Nashville hospitals for DRG 560 in the minor category are as follows:

Nashville General - \$5,836 St. Thomas Midtown - \$12,885 Vanderbilt University Hospital - \$10,548 TriStar Centennial Medical Center - \$16,188 TriStar Summit Medical Center - \$12,976

The applicant's proposed global charge for a delivery is \$9,000. It should be noted that this is global charge, including services provided in connection with a delivery. The hospital charges do not include professional charges or newborn charges. As noted above, in 2010, the national average of charges for physician services related to a vaginal delivery was \$8,414. Professional charges are included in the applicant's proposed global charge of \$9,000.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: As indicated in the Projected Data Chart, the project will achieve positive financial results in the first full year, and the applicant has the resources to sustain the facility until results are positive.

8. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: The facility will use its best efforts to contract with all TennCare MCOs serving Middle Tennessee. The projected TennCare gross revenue in year 1 is \$1,002,282 and in

year 2, \$1,404,160. In light of the services to be provided, the facility will not serve Medicare patients.

3:00pm

The applicant expects the payor mix for both years to be as follows:

TennCare – 30% Commercial Insurance – 46% Self-pay – 11% Charity/Bad Debt – 13%

The applicant expects the growth in year 2 to be essentially spread evenly across all payor categories.

9. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C. Economic Feasibility-9.

Response: The applicant has just been created and has no financial history. Maternity Centers of America does not have an audited financial statement, but its balance sheet and income statement as of August 31, 2014, is at Attachment C. Economic Feasibility -9.

The applicant has also provided in <u>Attachment C, Economic Feasibility -9</u> an unaudited balance sheet as of November 30, 2014 of its private equity investor, Fortress Equity Partners, which is an investment fund, managed by an affiliate of Fortress Investment Group LLC, a large, publicly traded asset management firm with substantial assets. FEP does not prepare any public financial statements; however, in addition to the unaudited statement, applicant has provided under <u>Attachment C, Economic Feasibility -9</u> an excerpt from the 2013 audited financial statement for Fortress Investment Group LLC, set forth in its 10k filing with the Securities and Exchange Commission.

- 10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: There is no alternative to provide the benefits of a birthing center other than to establish such a facility as proposed by this application.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: The use of leased space for the project is the most cost-effective alternative for a birthing center in close proximity to VUMC, which the applicant believes is advantageous. The collaboration with VUMC with regard to midwife staffing and medical

directorship, in the applicant's judgment, is clearly superior to the alternative of the applicant attempting to employ its own midwives and identify a medical director.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: The applicant will have an agreement with VUMC under which VUMC will provide nurse midwife staffing and a medical director. See Attachment C, Need-1.a. In addition, the applicant will have a transfer agreement with VUMC. The applicant will enter into a clinical affiliation agreement with Vanderbilt University regarding clinical training and instruction of nursing students. The applicant plans to contract with all TennCare MCOs serving Middle Tennessee, i.e., United Healthcare Community Group, Amerigroup, and TennCare Select. The applicant will also seek contracts with major commercial insurers, including BlueCross BlueShield of Tennessee, Cigna, United Healthcare, Aetna and Humana.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The project merely relocates a facility previously approved by the Agency. The relocation will not have any effect on the health care system.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: The nurse midwife staff will be provided by VUMC under the contract previously described. The only clinical staff that will be employed are nurses. In the first year, the project will require a nursing staff of 1 full-time RN, and 2.4 RNs who will be on call to work as needed. Projected salaries and prevailing wages are as follows:1 full-time nurse at \$46,000 per year and 2.4 nurses FTEs with each such nurse working an average of 32 hours per week at \$30/hour and \$5 per hour for time spent on call. The salary range for nurses in the service area is \$44,710 to \$68,600.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Substance Abuse Services, and/or the Department of Intellectual and Developmental Disabilities licensing requirements.

Response: The applicant's ability to obtain and maintain the midwife staff is assured through the professional services contract with VUMC. The nursing staff that is readily accessible in the local market.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation,

regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

Response: The applicant has reviewed and understands all applicable licensing and certification requirements for professional staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The applicant plans to enter into a Clinical Affiliation Agreement with Vanderbilt University, so that the applicant's facility will be a site for the clinical training and instruction of students at the Vanderbilt School of Nursing.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Substance Abuse Services, the Department of Intellectual and Developmental Disabilities, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health for Birthing Centers.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Response: Tennessee Department of Health

Accreditation: Response: Commission on the Accreditation of Birth Centers

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction. Please also discuss what measures the applicant has or will put in place to avoid being cited for similar deficiencies in the future.

Response: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Response: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the Agency and the Department of Health with requested information regarding number of patients, number and types of procedures and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: A full page from <u>The Tennessean</u> dated January 10, 2015, is attached immediately following this page.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Please note that Tennessee Code Annotated 68-11-1607(c)(3) states that "...Within ten (10) days of filing an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution based treatment center for opiate addiction has been filed with the agency by the applicant."

Please provide this documentation.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.







0000257184 NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et sea, and the Rules of the Health Services and Development Agency, that:

Baby + Company Nashville, a proposed Birthing Center owned by: Baby + Company Nashville | LLC with an ownership type

Baby + Company Nashville, a proposed Birthing Center owned by: Baby + Company Nashville | LLC with an ownership type of limited liability company intends to file an application for a Certificate of Need to relocate the Birthing Center originally approved by the Agency in CN1406-022 for leased space at 2106 21st Avenue, Nashville, TN 37212 to leased space at 2212 West End Avenue, Nashville, TN 37203. The facility will include 4 birthing suites, 3 examination rooms, and various support areas. The facility will occupy approximately 7,800 sq. ft. The project will not involve licensed beds, the acquisition of major medical equipment or the initiation of a health care service for which a certificate of need is required. The total project cost will be approximately \$2,080,111.00.

The anticipated date of filing the application is: January 15, 2015

The contact person for this project is Dan Elrod, Attorney, who may be reached at: Butler Snow LLP, 150 3rd Avenue South, Suite 1600, Nashville, TN 37201 615 / 651-6702

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency Andrew Jackson Bullding, 9th floor 502 Deaderick Street Nashville, Tennessee 37243

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004 Revised 08/01/2012 Previous Forms are obsolete PROJECT COMPLETION FORECAST CHART

January 23, 2015 3:00pm

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 3/25/2015

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Agency projected initial Decision date, as published in T.C.A. 68-11-1609

Phase	Days Required	Anticipated Date (Month/Year)
1. Architectural and engineering contract signed	30	Apr-15
2. Construction documents approved by the Tennessee Depart of Health	60	Apr-15
3. Construction contract signed	60	May-15
4. Building permit secured	90	Jun-15
5. Site preparation completed	90	Jun-15
6. Building construction commenced	90	Jul-15
7. Construction 40% complete	120	Aug-15
8. Construction 80% complete	150	Aug-15
9.Construction 100% complete (approved for occupancy)	180	Sep-15
10. *Issuance of Ilicense	180	Sep-15
11. *Issuance of service	180	Sep-15
12. Final Architectural Certification of Payment	210	Oct-15
13. Final Project Report Form (HF0055)	210	Oct-15

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

^{*} For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

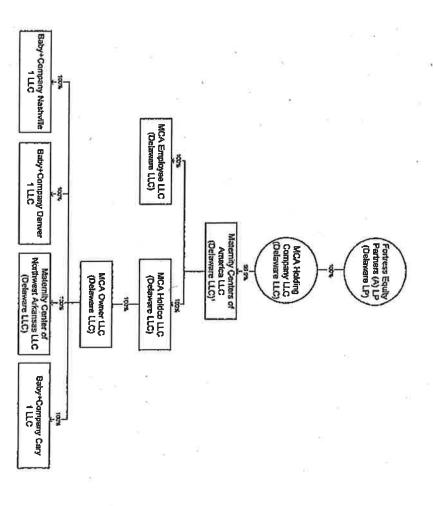
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AFFIDAVIT

STATE OF <u>leanessee</u>
COUNTY OF David SOW
Dan Frod , being first duly sworn, says that he/she
is the applicant named in this application or his/her/its lawful agent, that this project will be
completed in accordance with the application, that the applicant has read the directions to
this application, the Rules of the Health Services and Development Agency, and T.C.A.
§ 68-11-1601, et seq., and that the responses to this application or any other questions
deemed appropriate by the Health Services and Development Agency are true and
complete.
1/ 1/2
SIGNATURE/TITLE
GIONATORE/THEE
Sworn to and subscribed before me this 15^{+} day of $\frac{15^{+}}{\text{(Month)}}$, $\frac{2015}{\text{(Year)}}$ a Notary
Public in and for the County/State of
Sharron C Couch
NOTARY PUBLIC
WINDON C. COM
My commission expires Warch STATE 1016
(Month/Day) OF (Year) TENNESSEE
NOTARY PUBLIC
THE COUNTY STREET
New Commission Evolves MAR & 2016

Attachment A, Item 4

Organizational Chart

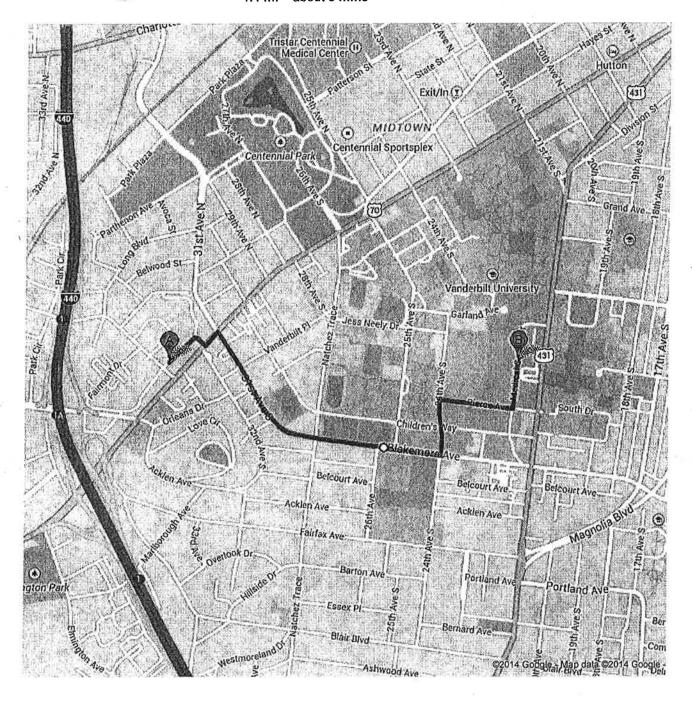


Attachment B, I

Map to VUMC

Google

Directions to 1211 Medical Center Dr, Nashville, TN 37232 1.4 mi – about 5 mins





3212 West End Ave, Nashville, TN 37203

Head northeast on Hillcrest PI/Park Dr toward West End Ave	go 0.1 mi total 0.1 mi
Turn left onto West End Ave	go 259 ft total 0.2 mi
Take the 1st right onto 31st Ave S About 55 secs	go 0.4 mi total 0.6 mi
Continue onto Blakemore Ave About 49 secs	go 0.3 mi total 0.9 mi
Turn left onto 24th Ave S	go 0.1 mi total 1.0 mi
Turn right onto Pierce Ave About 58 secs	go 0.2 mi total 1.2 mi
Turn left onto Medical Center Dr Destination will be on the left	go 0.1 mi total 1.4 mi
	Turn left onto West End Ave Take the 1st right onto 31st Ave S About 55 secs Continue onto Blakemore Ave About 49 secs Turn left onto 24th Ave S Turn right onto Pierce Ave About 58 secs Turn left onto Medical Center Dr

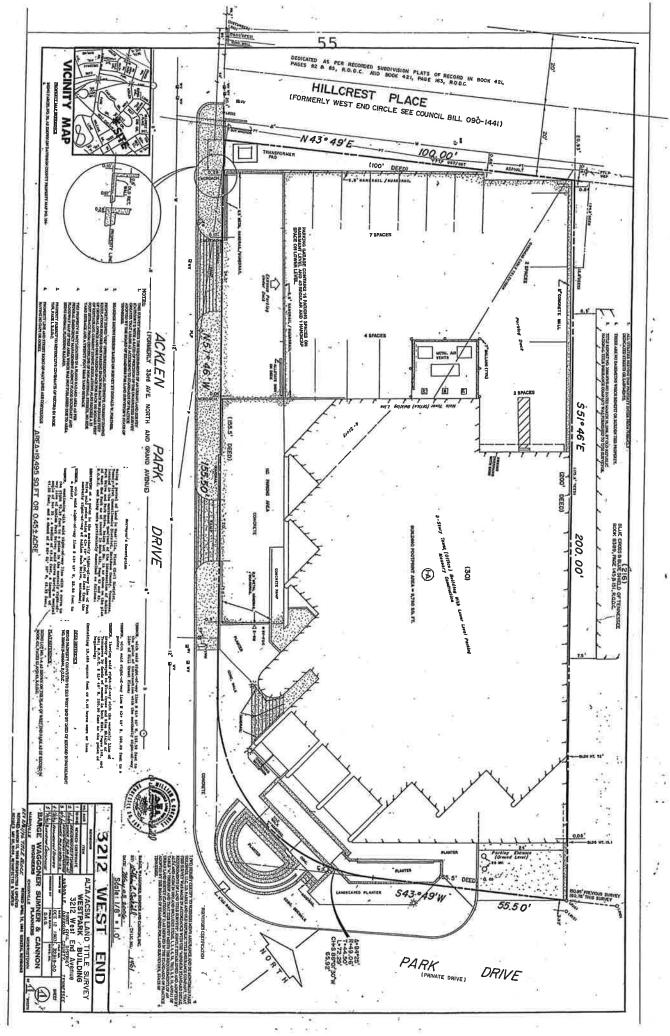
These directions are for planning purposes only. You may find that construction projects, traffic, weather, or other events may cause conditions to differ from the map results, and you should plan your route accordingly. You must obey all signs or notices regarding your

Map data ©2015 Google

Directions weren't right? Please find your route on maps google.com and click "Report a problem" at the bottom left.

Attachment B, III(A)

Plot Plan

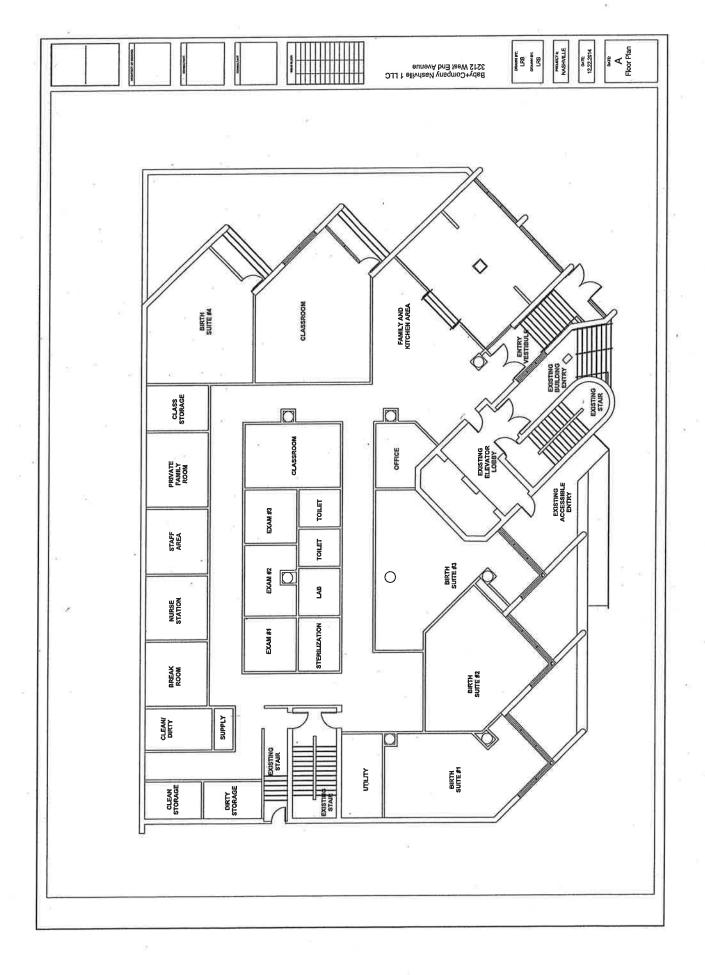


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Attachment B, IV

Floor Plan



Attachment C, Need - 1.b.8

VUMC Letter

VANDERBILT UNIVERSITY



MEDICAL CENTER

June 10, 2014

Ms. Cara Osborne **Executive Vice President** Maternity Centers of America 5302 Village Parkway Suite #3 Rogers, AR 72758

C. Wright Pinson, M.A.A., M.D. Deputy Vice Chancellor for Health Affairs Chief Executive Officer, Vanderbilt Health System Senior Associate Dean for Clinical Affairs

Dear Ms. Osborne,

This letter is to confirm our continued discussions regarding Baby+Company Nashville 1 LLC proposal to establish a birthing center.

As discussed, Vanderbilt University Medical Center (VUMC) is willing to provide the Medical Director and midwives as mutually determined to support the birth center. The details and other terms of an agreement under which VUMC will provide the services described will be memorialized in a definitive agreement acceptable to both parties.

In addition, it is VUMC's intent to provide the necessary transfer agreement from the center, to be located at 2106 21st Avenue South, Nashville, Tennessee, 37215, to VUMC, located at 1211 Medical Center Drive, Nashville, Tennessee, 37232.

As the leader of midwifery services in Middle Tennessee, VUMC views this project as complementary to obstetrical services and other resources in the market. Low-risk maternity patients will welcome the availability of the birth center model in the community.

Sincerely.

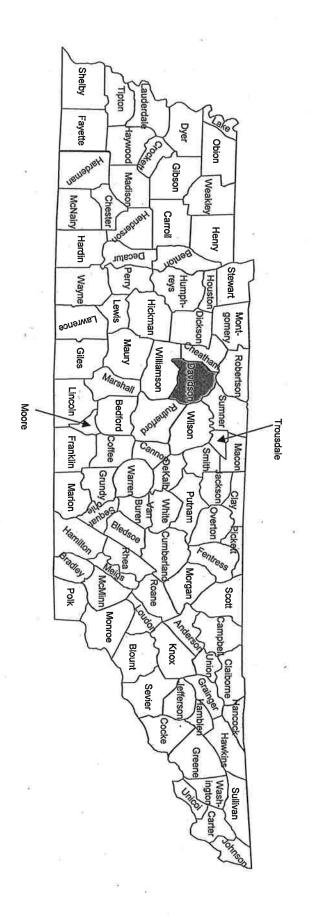
C. Wright Pinson, MBA, MD

Deputy Vice Chancellor for Health Affairs Senior Associate Dean for Clinical Affairs CEO of the Vanderbilt Health System

cc: Jim Corum, Vice President, Business Development Ginna Felts, Consultant, Business Development Luke Gregory, Chief Executive Officer, Monroe Carell Jr. Children's Hospital at Vanderbilt David Posch, Chief Executive Officer, Vanderbilt University Hospital and VMG

Attachment C, Need - 3

Service Area Map



Attachment C, Need - 4.A.(1)

Demographic Information

State & County QuickFacts

Davidson County, Tennessee

People QuickFacts	Davidson County	Tennessee
Population, 2013 estimate	658,602	6,495,978
Population, 2012 estimate	646,801	6,454,914
Population, 2010 (April 1) estimates base	626,684	6,346,113
Population, percent change, April 1, 2010 to July 1, 2013	5.1%	2,4%
Population, percent change, April 1, 2010 to July 1, 2012	3.5%	1,7%
Population, 2010	626,681	6,346,105
Persons under 5 years, percent, 2012	7.1%	6,3%
Persons under 18 years, percent, 2012	21.9%	23.1%
Persons 65 years and over, percent, 2012	10.7%	14.2%
Female persons, percent, 2012	51.6%	51.2%
White alone, percent, 2012 (a)	65.8%	79.3%
Black or African American alone, percent, 2012 (a)	28.1%	17.0%
American Indian and Alaska Native alone, percent, 2012	201170	17.074
(a)	0.5%	0.4%
Asian alone, percent, 2012 (a)	3.2%	1.6%
Native Hawaiian and Other Pacific Islander alone, percent, 2012 (a)	0.1%	0.1%
Two or More Races, percent, 2012	2.2%	1.6%
Hispanic or Latino, percent, 2012 (b)	9.9%	4.8%
White alone, not Hispanic or Latino, percent, 2012	57.1%	75.1%
Living in same house 1 year & over, percent, 2008-2012	79.0%	84,4%
Foreign born persons, percent, 2008-2012	11.8%	4.5%
Language other than English spoken at home, pct age 5+, 2008-2012	15.5%	6.6%
High school graduate or higher, percent of persons age 25+, 2008-2012	85.9%	83.9%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	35.0%	/ 23.5%
Veterans, 2008-2012	39,498	493,980
Mean travel time to work (minutes), workers age 16+, 2008 -2012	23,1	24.1
Housing units, 2012	286,678	2,834,620
Homeownership rate, 2009-2012	55.4%	68.4%
Housing units in multi-unit structures, percent, 2008-2012	37,1%	18.2%
Median value of owner-occupied housing units, 2008-2012	\$167,200	\$138,700
Households, 2008-2012	255,887	2,466,841
Persons per household, 2008-2012	2.37	2.51
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$28,513	\$24,294
Median household income, 2008-2012	\$46,676	\$44,140
Persons below poverty level, percent, 2008-2012	18.5%	17.3%
× ×	Davidson	
Business QuickFacts		Tennessee
Private nonfarm establishments, 2011	17,809	129,4891
Private nonfarm employment, 2011	377,254	2,300,5421
Private nonfarm employment, percent change, 2010-2011	1,8%	1.6%1
Nonemployer establishments, 2011	57,150	473,451
Total number of firms, 2007	64,653	545,348
Black-owned firms, percent, 2007	11.1%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	0.6%	0.5%
Asian-owned firms, percent, 2007	3.4%	2.0%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	0.1%	0.1%
Hispanic-owned firms, percent, 2007	2.9%	1,6%
Women-awned firms, percent, 2007	26.8%	25.9%

Manufacturers shipments, 2007 (\$1000)	7,347,204	140,447,760
Merchant wholeseler sales, 2007 (\$1000)	11,942,568	80,116,528
Relail sales, 2007 (\$1000)	10,561,843	77,547,291
Retail sales per capita, 2007	\$17,029	\$12,563
Accommodation and food services sales, 2007 (\$1000)	2,202,982	10,626,759
Building permits, 2012	2,963	20,147
Geography QuickFacts	Davidson County	Tennessee
Land area in square miles, 2010	504.03	41,234.90
Persons per square mile, 2010	1,243.3	153.9
FIPS Code	037	47
Metropolitan or Micropolitan Statistical Area	Nashville- Davidson Murfreesboro Franklin, TN Metro Area	

^{1:} Includes data not distributed by county.

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Parmits
Last Revised. Friday, 16-May-2014 06:54:18 EDT

⁽a) includes parsons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information
F: Fewer than 25 firms
FN: Footnote on this item for this area in place of data
NA: Not available
S: Suppressed; does not meet publication standards
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Attachment C, Economic Feasibility – 1(Building FMV)

Building FMV

J.D. Parks, Chief Manager deMontbrun – Park Holdings, LLC PO Box 867 Cookeville, TN 38503

RE: Baby+Co.-Nashvillle

Per your written request, please accept this letter as an indication of value for the property and improvements located at 3212 West End, Nashville, TN 37212.

The value for the property and improvements located at 3212 West End, Nashville, TN 37212 is \$4,878,900. This value is based on the value determined by the Metro Nashville Assessor of Property for fiscal year 2014.

Please note that this letter does not constitute an offer to sell the property. There are multiple methodologies for determining value. Further, there are many considerations that an owner must weigh when determining a sale price, some of which may not be quantifiable using standard appraisal and valuation methods.

Respectfully, J.D. Parks

(931)319-3198 Cookeville, TN 38503

<u>Attachment C, Economic Feasibility – 1(Architect Letter)</u>

Architect Letter

SGA' Design Group

January 5, 2015

Ms. Carla Hackett Maternity Centers of America Cara Osborne 5302 Village Parkway #3 Rogers, AR 72758

RE:

Baby+Company Nashville 1 LLC 3212 West End Avenue, Nashville, TN

Dear Ms. Hackett,

In regards to the proposed Certificate of Need (CON), we are in the process of preparing plans for the remodel and conversion of the existing facility for the Baby+Company Nashville 1 LLC. The remodel and conversion will encompass the demolition of all existing rooms, equipment, mechanical, electrical and plumbing systems and replacement as necessary to fit the needs of the Birthing Center.

The plans call for four (4) birthing center rooms, three (3) exam rooms, two (2) classrooms, a kitchen / family room, support spaces, accessible restrooms, storage, utility and entry lobby spaces. The completed space will encompass 7,800 gsf.

We have reviewed the Square Footage and Cost Per Square Footage Chart that has been prepared for the CON to the state of Tennessee for this remodel and conversion. The proposed cost of \$695,216 or an average of \$89.13 / SF for a 7,800 square foot project appears reasonable and accurate in today's construction market.

Based on our experience we believe the remodeled facility will meet the Guidelines for Design and Construction of Health Care Facilities and all applicable local, state and federal standards.

We have reviewed the applicable building codes adopted by the Authority Having Jurisdiction (AHJ). As of the date of this letter they include:

Applicable Local Codes - City of Nashville

2006 International Building Code with local amendments

2006 International Residential Code with local amendments

2006 International Energy Conservation Code

2006 International Plumbing Code with local amendments

2006 International Mechanical Code with local amendments

2006 International Fuel Gas Code with local amendments

2006 International Fire Code with local amendments

2011 National Electric Code with local amendments

2003 ICC / ANSI A117.1 Accessible and Usable Buildings and Facilities

2006 Life Safety Code (NFPA 101) with local amendments

Building Classification

Occupancy: Business

Type V-B Construction

If you have any further questions, please do not hesitate to call. Sincerely,

Paul McManus, AlA, NCARB Principal

lrb

Attachment C, Economic Feasibility - 2

Funding Letters

Tennessee Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

Re: Baby + Company Nashville

Dear Agency:

This letter confirms that Maternity Centers of America LLC, through cash on hand and from commitments by its investor/owner Fortress Equity Partners, LP, has sufficient resources to fund the start-up costs and working capital of \$1,348,481.

Very truly yours,

EVP, Clinical

Fortress Equity Partners (A) LP c/o Fortress Investment Group LLC 1345 Avenue of the Americas New York, NY 10105

January 6, 2015

Maternity Centers of America LLC 306 NE Blake Street, Suite #200 Bentonville, Arkansas 72712 Attention: Cara Osborne, EVP - Clinical

Re: Baby + Company Nashville

Dear Cara;

This will confirm that we have resources available and are committed to fund the start-up expenses of the Baby+Company Nashville project in an amount of approximately \$1,034,950 and initial working capital in the amount of approximately \$313,531, subject to the receipt of all regulatory approvals needed to operate the project, signing a lease for the project and entering into a professional services contract with Vanderbilt University Medical Center regarding the project.

Very truly yours,

John Morrissey

Chief Financial Officer of Fortress Equity Partners GP LLC, the general partner of

Fortress Equity Partners (A) LP

Attachment C, Economic Feasibility - 9

Financial Statement

Maternity Centers of America Balance Sheet August-14

Assets	
ATTEMPT OF THE PROPERTY OF THE RESIDENCE OF THE PROPERTY OF TH	1,717,012
Cash Accounts Receivable	181,393
	5,192
Inventory	42,754
Prepaid expenses	
Total Current Assets	1,946,351
Furniture & Equipment	68,547
Computer/Software	9,441
Leasehold Improvements	282,051
Total	360,039
Less: Acc. Depreciation	(44,444
Total Fixed Assets	315,595
Rent Deposit (rent paid per month)	4.572
Working Capital Reserve	TANK PARK AT THE TANK ASSESSMENT THE
Deferred Tax Asset	
Goodwill (\$350k purchase price)	381,285
Total Assets	2,647,803
Liabilities	
	136,600
Line of Credit Total Payroll Liabilities Birth Deposits	136,600 (18,288) 92,732
Total Payroll Liabilities Birth Deposits	(18,288) 92,732
Total Payroll Liabilities Birth Deposits Accounts Payable	(18,288) 92,732 108,493
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center	(18,288) 92,732 108,493 212,307
Total Payroll Liabilities Birth Deposits Accounts Payable	(18,288) 92,732 108,493
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities	(18,288) 92,732 108,493 212,307 9,715
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity	(18,288) 92,732 108,493 212,307 9,715 541,559
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity Beginning Eqty: Total	(18,288) 92,732 108,493 212,307 9,715 541,559
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity Beginning Eqty: Total Plus: Net Income	(18,288) 92,732 108,493 212,307 9,715 541,559 38,805 (1,107,890)
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity Beginning Eqty: Total Plus: Net Income Plus: Fortress Working Capital Injection	(18,288) 92,732 108,493 212,307 9,715 541,559 38,805 (1,107,890) 2,794,044
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity Beginning Eqty: Total Plus: Net Income Plus: Fortress Working Capital Injection Goodwill (\$350k purchase price)	(18,288) 92,732 108,493 212,307 9,715 541,559 38,805 (1,107,890) 2,794,044 381,285
Total Payroll Liabilities Birth Deposits Accounts Payable Loan Payable - Birth Center Deferred rent Total Liabilities Equity Beginning Eqty: Total Plus: Net Income Plus: Fortress Working Capital Injection	(18,288) 92,732 108,493 212,307 9,715 541,559 38,805 (1,107,890) 2,794,044

Maternity Centers of America Income Statement August-14

J	Period Ending August 31, 2014 Actuals
Revenues	
50 Pre-Natal & Birth	283,468
51 Women Wellness	12,654
52 Retail	8,439
53 Class	3,872
54 Drug Revenue	
55 Other Revenue	376
Total Revenues	308,810
COGS	THE ROOM A TO THE RESIDENCE OF THE PROPERTY OF
56 Medical Supplies	(11,359
57 IUD	(1,590
58 Pharmaceuticals	(2,508
59 DOH Newborn Screening	(3,089
60 Retail Product	(5,102
61 Other Retail	(109
62 Retail Assets	1877
63 Class Material Development	(230
64 Class Aides	as the second section and a second section as the second section as the second section and second section sect
	(1,458
65 DME Purchase Total COGs Salary	(2,600) (28,922)
65 DME Purchase Total COGs	(2,600 (28,922 (746,534
65 DME Purchase Total COGs Salary 66 Salaries Insurance	(2,600 (28,922 (746,534
65 DME Purchase Total COGs Salary 66 Salaries Insurance	(2,600 (28,922 (746,534
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr	(2,600 (28,922 (746,534
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr	(2,600 (28,922 (746,534 of liability & general) (30,579
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent	(2,600) (28,922) (746,534) of liability & general) (30,579)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex	(2,600) (28,922) (746,534) of liability & general) (30,579)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement	(2,600) (28,922) (746,534) of liability & general) (30,579) (47,757) (8,769)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space	(2,600) (28,922) (746,534) of liability & general) (30,579) (47,757) (8,769)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs	(2,600) (28,922) (746,534) (30,579) (47,757) (8,769)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities	(2,600) (28,922) (746,534) of liability & general) (30,579) (47,757) (8,769)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance	(2,600) (28,922) (746,534) (746,534) (47,757) (8,769) (56,526)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance 72 Telephone	(2,600) (28,922) (746,534) (746,534) (47,757) (8,769) (56,526) (2,714) (5,445) (4,282)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance 72 Telephone 73 Technology Services	(2,600 (28,922) (746,534) (30,579) (47,757) (8,769) (56,526) (5,445) (4,282) (21,289)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance 72 Telephone 73 Technology Services 74 Office Supplies	(2,600 (28,922) (746,534) (30,579) (47,757) (8,769) (56,526) (56,526) (2,714) (5,445) (4,282) (21,289) (6,150)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance 72 Telephone 73 Technology Services 74 Office Supplies 75 Postage	(2,600) (28,922) (746,534) (746,534) (47,757) (8,769) (56,526) (56,526) (2,714) (5,445) (4,282) (21,289) (6,150) (115)
65 DME Purchase Total COGs Salary 66 Salaries Insurance 67 All inclusive AON insurance (pr Space 68 Rent 69 Tenant Improvement Lease Op-Ex Total Space Clinical & Site Costs 70 Utilities 71 Repairs & Maintenance 72 Telephone 73 Technology Services 74 Office Supplies	(2,600 (28,922) (746,534) (30,579) (47,757) (8,769) (56,526) (56,526) (2,714) (5,445) (4,282) (21,289) (6,150)

Clinical Contractors	
78 Pharmacist	(896)
79 Physician Partner	**************************************
Total Clinical Contractors	(896)
Bank & Financing Charges	
80 Bank Charges	(5,544)
81 Credit Card Interest & Transaction Fees	(3,212)
82 Bookkeeping	(36,998)
Total Bank & Financing	(45,754)
8	
License & Fees	
83 Site	(38,659)
84 Midwife	
85 Nurses	Service at a service property of the service of service of the ser

86 Compliance Training (HIPPA; Blood Born Pathogen, etc)	me and the property and the second
87 DEA every 2 Years	ACCUMATE OF MARKET AND A CONTRACT AND A
88 DME	-
Total Licensing & Fees	(38,659)
7 M	
Marketing	CAMPAGENESIS AND THE PERSON OF A SECOND STATE OF THE SECOND STATE
89 Digital Ads (SEO / SEM)	(23,996)
90 Print/Newsletter Advertising	(317)
91 Radio Advertising	Cally and the majority of the control of the contro
92 Email Campaign	
93 Billboard	(12,450)
94 Events	(4,089)
95 Printed Materials (Sales Collateral)	(1,839)
96 Promotions	
97 Other	(37,288)
Total Marketing	(7 9 ,97 8)
<u>Other</u>	numering " version massive
98 Travel for Recruiting	(100,262)
103 Legal	(150,810)
104 Other Professional Fees	(47,081)
110 Startup Expense	(6,145)
99 Misc	(14,514)
Total Other	(318,813)
Ancillary Services	
100 DME Rental	The state of the s
Total Ancillary Services	# T
THE STATE OF THE POST OF THE STATE OF THE ST	The second secon
Total Operating Expenses	(1,361,372)
Company of the Compan	THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TRANSPORT
EBÍTDA	(1,081,484)
EBITDA Margin	parameter (Control of Control of
101 Less: D&A	(21,687)
A 10 - 1 1000 A - 27 CH BLOW COLD A - 10 CH W - 17 / 1 / 100 A B / 100 A A A A C A 100 A A A	The second of the same and the second of the second

EBIT	-
Less: Interest	(4,718)
Pre-Tax Income	And the the ten and the ten an
Plus: Other Income	
Less: Net Taxes	
Net Income	(1,107,890)
Other FEE Hardware or other Canital Purchases	
Other FFE, Hardware or other Capital Purchases	i ang
Other FFE, Hardware or other Capital Purchases Printer	
A CONTRACTOR OF THE CONTRACTOR	

FORTRESS EQUITY PARTNERS (A) LP

STATEMENT OF ASSETS AND LIABILITIES (Unaudited)

(dollar amounts in thousands)

		Nove	mber 30, 2014
ASSETS			
Investments, at fair value (cost \$71,480)		\$	71,480
Cash and cash equivalents	#1 72		316
	35		71,796
* e = v = s			
LIABILITIES			
Other liabilities			32
NET ASSETS, representing partners' capital		_\$	71,764

FORTRESS EQUITY PARTNERS (A) LP

STATEMENT OF OPERATIONS (Unaudited)

(dollar amounts in thousands)

	#25 E	(Commo	March 11, 2014 tencement of rations) to oer 30, 2014
INCOME		\$	-
EXPENSES General and administrative expense	E - 0	A	(46)
NET INVESTMENT LOSS			(46)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATION	1S	\$	(46)

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements

All supplemental schedules have been omitted because either the required information is included in our consolidated financial statements and notes thereto or it is not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Fortress Investment Group LLC

We have audited the accompanying consolidated balance sheets of Fortress Investment Group LLC (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fortress Investment Group LLC at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fortress Investment Group LLC and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York February 27, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Fortress Investment Group LLC

We have audited Fortress Investment Group LLC and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fortress Investment Group LLC and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fortress Investment Group LLC as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York February 27, 2014

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FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED BALANCE SHEETS (dollars in thousands)

Assets Cash and cash equivalents Due from affiliates Investments Investments in options Investments in options Deferred tax asset, net Other assets Liabilities 12013 2012 Assets \$ 364,583 \$ 104,242 280,557 Investments 1,253,266 1,211,684 Investments in options 104,338 38,077 2015 104,338 38,077 105 106,338 38,077 107 108,338 38,077 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798 109,595 124,798			Decer	nber	31.
Cash and cash equivalents \$ 364,583 \$ 104,242 Due from affiliates 407,124 280,557 Investments 1,253,266 1,211,684 Investments in options 104,338 38,077 Deferred tax asset, net 354,526 396,320 Other assets 190,595 124,798 Liabilities and Equity Liabilities		_			
Due from affiliates 407,124 280,557 Investments 1,253,266 1,211,684 Investments in options 104,338 38,077 Deferred tax asset, net 354,526 396,320 Other assets 190,595 124,798 Liabilities and Equity Liabilities Liabilities	Assets				
Investments 1,253,266 1,211,684 Investments in options 104,338 38,077 Deferred tax asset, net 354,526 396,320 Other assets 190,595 124,798 \$ 2,674,432 \$ 2,155,678 Liabilities and Equity	Cash and cash equivalents	\$	364,583	\$	104,242
Investments in options Deferred tax asset, net Other assets 104,338 38,077 354,526 396,320 190,595 124,798 2,674,432 \$ 2,155,678 Liabilities and Equity Liabilities	Due from affiliates		407,124		280,557
Deferred tax asset, net Other assets 190,595 124,798 2,674,432 Liabilities and Equity Liabilities	Investments		1,253,266		1,211,684
Other assets 190,595 124,798 \$ 2,674,432 \$ 2,155,678 Liabilities and Equity Liabilities	Investments in options		104,338		38,077
\$ 2,674,432 \$ 2,155,678 Liabilities and Equity Liabilities	Deferred tax asset, net		354,526		396,320
Liabilities and Equity Liabilities	Other assets		190,595		124,798
Liabilities		\$	2,674,432	\$	2,155,678
Liabilities					
	Liabilities and Equity				
	950				×
Accrued compensation and benefits \$ 417,309 \$ 146,911	Liabilities	4	21		
	Accrued compensation and benefits	\$	417,309	\$	146,911
Due to affiliates 344,832 357,407	Due to affiliates		344,832		357,407
Deferred incentive income 247,556 231,846	Deferred incentive income		247,556	rii.	231,846
Debt obligations payable — 149,453	Debt obligations payable		_		149,453
Other liabilities 49,830 53,411	Other liabilities		49,830		53,411
1,059,527 939,028			1,059,527		939,028
Commitments and Contingencies	Commitments and Contingencies				
Equity	= •				
Class A shares, no par value, 1,000,000,000 shares authorized, 240,741,920	-				
and 218,286,342 shares issued and outstanding at December 31, 2013 and 2012, respectively	respectively		_		· —
Class B shares, no par value, 750,000,000 shares authorized, 249,534,372	Class B shares, no par value, 750,000,000 shares authorized, 249,534,372				
and 249,534,372 shares issued and outstanding at December 31, 2013 and 2012, respectively			18 8 2-31 8	4	
Paid-in capital 2,112,720 2,119,102	Paid-in capital		2,112,720		2,119,102
Retained earnings (accumulated deficit) (1,286,131) (1,486,578)	Retained earnings (accumulated deficit)		(1,286,131)	-	(1,486,578)
Treasury shares (2,082,684 Class A shares held by subsidiary at December 31, 2012) (3,419)	Treasury shares (2,082,684 Class A shares held by subsidiary at December 31, 2012)		_		(3,419)
Accumulated other comprehensive income (loss) (1,522) (2,634)			(1,522)		
Total Fortress shareholders' equity 825,067 626,471					
Principals' and others' interests in equity of consolidated subsidiaries 789,838 590,179	• •				
Total equity 1,614,905 1,216,650	•	-			
\$ 2,674,432 \$ 2,155,678		\$		\$	

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

		Ye	ar E	nded December	31,	
		2013		2012		2011
Revenues						
Management fees; affiliates	\$	520,283	\$	456,090	\$	464,305
Management fees: non-affiliates		62,795		45,617		58,096
Incentive income: affiliates		419,828		246,438		155,303
Incentive income: non-affiliates		44,383		26,162		1,917
Expense reimbursements: affiliates		206,452		186,592		169,282
Expense reimbursements: non-affiliates		7,209		4,580		4,057
Other revenues (affiliate portion disclosed in Note 7)		4,033		4,390		5,668
		1,264,983		969,869		858,628
Expenses		5		-		-
Interest expense		5,382		15,781		18,526
Compensation and benefits		741,761		750,359		706,060
Principals agreement compensation (expired in 2011)		_				1,051,197
General, administrative and other		136,770		127,149		145,726
Depreciation and amortization	1/10000	13,690		14,931		33,399
		897,603		908,220		1,954,908
Other Income (Loss)					()	
Gains (losses) (affiliate portion disclosed in Note 4)		53,933		48,921		(30,054)
Tax receivable agreement liability adjustment		(8,787)		(8,870)		3,098
Earnings (losses) from equity method investees		136,866		156,530	_	41,935
*	-	182,012		196,581		14,979
Income (Loss) Before Income Taxes		549,392		258,230		(1,081,301)
Income tax benefit (expense)		(65,801)		(39,408)		(36,035)
Net Income (Loss)	\$	483,591	\$	218,822	\$	(1,117,336)
Principals' and Others' Interests in Income (Loss) of Consolidated Subsidiaries	\$	283,144	\$	140,538	\$	(685,821)
Net Income (Loss) Attributable to Class A Shareholders	\$	200,447	\$	78,284	\$	(431,515)
Earnings (Loss) Per Class A share						
Net income (loss) per Class A share, basic	\$	0.83	\$	0.29	\$	(2.34)
Net income (loss) per Class A share, diluted	\$	0.79	\$	0.27	\$	(2.36)
Constitution of the consti					-	
Weighted average number of Class A shares outstanding, basic	2	36,246,296	2	214,399,422	18	86,662,670
Weighted average number of Class A shares outstanding, diluted	5	00,631,423	5	524,900,132	49	3,392,235

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (dollars in thousands)

· 2 9	Ye	ar En	ded December	31,	
	2013		2012		2011
Comprehensive income (loss) (net of tax)		& !			
Net income (loss)	\$ 483,591	\$	218,822	\$	(1,117,336)
Foreign currency translation	(772)		(1,447)		417
Comprehensive income (loss) from equity method investees	4,136		(778)	i.	(203)
Total comprehensive income (loss)	\$ 486,955	\$	216,597	\$	(1,117,122)
Comprehensive income (loss) attributable to principals' and others' interests	\$ 285,243	\$	139,089	\$	(685,858)
Comprehensive income (loss) attributable to Class A shareholders	\$ 201,712	\$	77,508	\$	(431,264)
	 	_		_	

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011 (dollars in thousands)

			***					Principals,	
			£	Retzined		Accumulated		Interests in	
	ř		::6	Earnings		Other	85	Equity of	
1	Class A Shares	Class B Shares	In Capital	(Accumulated Deficit)	I reasury Shares	Comprehensive Income (Loss)	e Shareholders' Equity	Consolidated	Total Fourity
Equity - December 31, 2010	169,536,968	300,273,852	\$1,465,358	\$ (1,052,605)	 65	\$ (1,289)	16	\$ 517 951	\$ 979.415
Contributions from principals' and others' interests in equity	I	1	. 1	ı	J	,		0.00	`
Distributions to principals' and others' interests in equity (net of fax)			ć					2/5,10	7/C,18
	ĺ	I	(840)	ľ	l	•	(840)	(124,723)	(125,563)
Conversion of Class B snares to Class A shares	4,749,434	(4,749,434)	3,878	j	I	<u>ت</u>	(33) 3,845	(3,845)	I
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	I	1	9,243	1	I	•	- 9 243	:	0 2/13
Director restricted share grant	143,624	1	412	1	-1	•	412	102	7,243
Capital increase related to equity-based					-		77	F 0.	4,110
compensation, net	15,394,027	10,333,333	481,327	1	1	į.	- 481.327	802.404	1 283 731
Dilution impact of Class A share issuance	1	1	13,333	I	I	8	(89)	(12,240)	, , , , , , , , , , , , , , , , , , ,
Comprehensive income (loss) (net of tax)			,	5		101		(117,01)	ľ
Net income (loss)	Ì	1	1	(431,515)	ı	'	= (431 515)	(685 821)	(1 117 226)
Foreign currency translation	I	1	1	1	- 1	340	(4)		(1,11,1300)
Comprehensive income (loss) from equity method						,		:	/1+
mvestees	1	1	1	Į.	ľ	~	(68) (68)	(114)	(203)
1 otal comprehensive income (loss)				060			(431.264)	(684	(1117 122)
Equity - December 31, 2011	189,824,053	305,857,751	\$1,972,711	\$ (1,484,120)	9	\$ (1,160)	60	64	\$1,062,392
					5				

Continued on next page.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011 (dollars in thousands)

								Principals' and Others'		
	č		Paid-	Ketained Earnings (Accumulated	Treasury	Accumulated Other Comprehensive	Total Fortress Shareholders'	Interests in Equity of Consolidated		
	Ciass A shares	Class B Shares	In Capital	Deficit)	Shares	Income (Loss)	Equity	Subsidiaries	Total Equity	luity
Equity - December 31, 2011	189,824,053	305,857,751	\$ 1,972,711	\$ (1,484,120)	S	\$ (1,160)	\$ 487,431	\$ 574.961	\$ 1.06	1.062.392
Contributions from principals' and others' interests in equity	. 1	I			u.				î	
Distributions to principals' and others' interests in	(F)	×.			1	l	ŀ	13,387	ři.	35,387
equity (net of fax)	l	1	(704)	1	1	1	(704)	(99,082)	ē	(98 786)
Dividends declared	1	1	(42,378)	1	1	1	(42.378)]	7	(42,378)
Dividend equivalents accrued in connection with			1	20					•	<u>}</u>
The same company and the same a		ĺ	(717)	I	1	1	(712)	(1,027)	_	(1,739)
Conversion of Class B shares to Class A shares	17,467,232	(17,467,232)	22,362	ı	ł	(196)	22,166	(22,166)		l
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	1	Ī	25.908	ı	ì) [25 000		ć	
Director restricted share grant	257 010		2.44		ä		20,00	4	4	43,503
	016,167	1	344	1	١.	Ĭ	344	200	ū	844
Capital increase related to equity-based compensation, net	12,819,823	10,333,333	82,058	10	I	1	82,058	116.819	61	198,877
Dilution impact of Class A share issuance	1	Ĭ	59,513	1	1	(505)	59,011	(59 011)	1	ļ
Repurchase of Class A shares (Note 9)	(2,082,684)	1	1	ļ	(3,419)		(3,419)	(3.870)		(7 289)
Repurchase of Class B shares (Note 9)	1	(49,189,480)	1	(80,742)	Į	1	(80,742)	(91 422)	5	(172 164)
Comprehensive income (loss) (net of tax)										77701
Net income (loss)	Ţ	I	1	78,284	1	ı	78.284	140 538	2.1	218 822
Foreign currency translation	1	J	1	ı	١	(099)	(099)	(107)	1	2,042
Comprehensive income (loss) from equity						(000)	(000)	(/0/)	_	(1,447)
method investees	1	1	1	1	1	(116)	(116)	(662)		(778)
Total comprehensive income (loss)							77.508	139 080		716 507
Equity - December 31, 2012	218,286,342	249,534,372	\$ 2,119,102	\$ (1,486,578)	\$ (3,419)	\$ (2,634)	\$ 626,471	\$ 590,179	\$ 1,21	1,216,650

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011 (dollars in thousands)

										8	8										The second secon	*
Total Equity	\$1,216,650		70,272	(149 532)	(156,270)	(+17:00)	(1,376)	1	;	13,285	770	000	35,160	1 5	(1,005)	102 501	160,00+	(7//)	4.136	486 955	\$1,6M9052	
Principals' and Others' Interests in Equity of Consolidated Subsidiaries	\$ 590,179	į	70,272	(149,420)	99	3	(845)	(10,143)		(as)	398	10 133	10,125	(14,002)	l	782 144	- 203,144 (540)	(0#6)	2,639	285.243	\$ 789,838	
Total Fortress Shareholders' Equity	\$ 626,471		I	(112)	(56.340)		(531)	10,143		CI c,c.i	372	17.037	14.005	(1,005)	(500,1)	200 447	(723)	(757)	1,497	201.712	\$ 825,067	
Accumulated Other Comprehensive Income (Loss)	(2,634)		I	I	I		I	l		ı	1	1	(153)	(car)		1	(033)	(303)	1,497	N	(1,522)	
Treasury Co	\$ (3,419) \$		ı	1	ı		1	1		30	1	1	(15)	3 434	5	1	I		1		8	
Retained Earnings (Accumulated Deficit)	\$ (1,486,578) \$	9	ľ	1	I		1	l	,		l	1	I	1		200,447	1		ŧ		\$ (1,286,131)	
Paid- In Capital	\$2,119,102		Î	(112)	(56,340)	. (503)	(155)	10,143	13.315	275	1	17,037	14,173	(4,439)	25	1	1		1		\$2,112,720	
Class B Shares	249,534,372	1		E	1		1 60 60 60	(10,533,334)	1	1		10,333,334	1	1		i	i		1		249,534,372	
Class A Shares Class B Shares	218,286,342	1		1	į		10 222 224	10,223,234	1	127.533		9,912,027	1	2,082,684		1	1		1		240,741,920 249,534,372	
	Equity - December 31, 2012	contributions from principals' and others' interests in equity	Distributions to principals' and others' interests in	equity (net of tax)	Dividends declared	Dividend equivalents accrued in connection with equity-based connensation (net of tax)	Conversion of Class B shares to Class A shares	Not deferred to the state of th	and exchange of Fortress Operating Group units	Director restricted share grant	Capital increase related to equily-based	compensation, net	Dilution impact of Class A share issuance	Reissuance of treasury stock	Comprehensive income (loss) (net of tax)	Net income (loss)	Foreign currency translation	Comprehensive income (loss) from equity method	IIIVesices	10tal comprehensive income (loss)	Equity - December 31, 2013	

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (dollars in thousands)

· · · · · · · · · · · · · · · · · · ·	2013	2012	2011
Cash Flows From Operating Activities	2010		2011
	\$ 483,591	\$ 218,822 \$	(1,117,336
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	13,690	14,931	33,399
Other amortization and accretion (included in interest expense)	900	2,942	1,477
(Earnings) losses from equity method investees	(136,866)	(156,530)	(41,935
Distributions of earnings from equity method investees	84,548	59,785	23,719
(Gains) losses	(53,933)	(48,921)	30,054
Deferred incentive income	(107,276)	(77,993)	(80,093
Deferred tax (benefit) expense	54,431	29,442	24,622
Adjustment of estimated forfeited non-cash compensation	70	(1,691)	_
Options received from affiliates	(42,516)	(21,524)	(12,615)
Tax receivable agreement liability adjustment	8,787	8,870	(3,098)
Equity-based compensation	39,266	213,274	1,284,086
Options in affiliates granted to employees	8,190	10,134	_
Allowance for doubtful accounts	793	796	5,263
Cash flows due to changes in		197	G
Due from affiliates	(347,942)	(58,927)	(133,322)
Other assets	(18,082)	(20,398)	7,322
Accrued compensation and benefits	330,907	(75,390)	51,166
Due to affiliates	(2,667)	(18,241)	(9,353)
Deferred incentive income	118,765	65,361	112,068
Other liabilities	(1,765)	(2,792)	(7,181)
Net cash provided by (used in) operating activities	432,891	141,950	168,243
Cash Flows From Investing Activities			700,210
Contributions to equity method investees	(37,084)	(63,798)	(82,610)
Distributions of capital from equity method investees	281,481	140,712	180,855
Proceeds from sale of direct investments	18,849	- 110,712	- 100,000
Purchase of equity securities	(20,043)	×	
Purchase of digital currency (Bitcoin)	(20,000)		
Purchase of fixed assets	(11,471)	(10,375)	(17,713)
Net cash provided by (used in) investing activities	211,732	66,539	80,532
Cash Flows From Financing Activities	211,732		00,552
Repayments of debt obligations	(149,453)	(261,250)	(16,250)
Payment of deferred financing costs	(2,367)	(201,250)	(10,250)
Repurchase of shares and RSUs (Note 9)	(2,307)	(37,776)	:
Dividends and dividend equivalents paid	(57,926)	(44,170)	19-Table
Principals' and others' interests in equity of consolidated subsidiaries - contributions	401	431	13,484
Principals' and others' interests in equity of consolidated subsidiaries - distributions	(174,937)	(94,648)	(123,475)
· · · · · · · · · · · · · · · · · · ·			
Net cash provided by (used in) financing activities Net Increase (Decrease) in Cash and Cash Equivalents	(384,282)	(437,413)	(126,241)
` · · · ·	260,341	(228,924)	-
Cash and Cash Equivalents, Beginning of Period	104,242	333,166	210,632
Cash and Cash Equivalents, End of Period Continued on next page.	364,583	104,242 \$	333,166

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Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (dollars in thousands)

	Year Ended December 31						
	2013			2012		2011	
Supplemental Disclosure of Cash Flow Information				(30)			
Cash paid during the period for interest	\$	3,586	\$	13,689	\$	16,122	
Cash paid during the period for income taxes	\$	6,468	\$	7,932	\$	8,574	
Supplemental Schedule of Non-cash Investing and Financing Activities							
Employee compensation invested directly in subsidiaries	\$	66,779	\$	34,806	\$	68,087	
Investments of incentive receivable amounts into Fortress Funds	\$	227,091	\$	80,523	\$	143,862	
Dividends, dividend equivalents and Fortress Operating Group unit distributions declared but not yet paid	\$	5,160	\$	31,997	\$	29,423	
Exchange of promissory note for shares (Note 9)	\$		\$	149,453	\$		

COPY-SUPPLEMENTAL-1

Baby + Company-Nashville CN1501-003

Butler Snow

SUPPLEMENTAL- 1

January 23, 2015 3:00pm

January 23, 2015

VIA HAND DELIVERY

Mark A. Farber
Deputy Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1501-003

Baby + Company Nashville

Dear Mr. Farber:

Responses to the questions in your letter dated January 16, 2015, are below. Please let us know if you need additional information.

1. Section A, Item 6 (Legal Interest in Site)

A fully executed Option to Lease Agreement is noted. The final page of the agreement includes a signature by an individual who is listed as "EVP-Clinical". The landlord's signature includes the printed name, (J.D. Parks) title and the name of the company that Mr. Parks is representing. Please submit a revised Option to Lease Agreement which includes a signature by the Tenant along with the printed name and the company being represented.

<u>Response</u>: Attached as <u>Attachment A</u> is an updated Letter of Intent signed by both parties and including the title for Cara Osborne.

2. Section B, Project Description, Item I.

The current CON is for 4,350 square feet and the proposed project is for 7,800 square feet. The number of birthing suites and examination rooms could potentially be the same in the existing CON and the proposed project. What does the additional 3,450 square feet provide that was not provided at the original location.

SUPPLEMENTAL- 1

Mark A. Farber January 23, 2015 Page 2

January 23, 2015 3:00pm

<u>Response</u>: The proposed new site provides a larger space for all of the applicant's key functional areas. It also offers more circulation space and an outside patio area where families may congregate. The table attached as <u>Attachment B</u> provides a room-by-room comparison to the original site.

The applicant believes the larger space at the new location is a superior option because (1) space in certain functional areas, such as classrooms and exam rooms, would have been less than optimal in the original location; and (2) a larger circulation area and more spacious environment will better serve patients and their families.

What is the average length of stay (in hours) for a birthing center patient? Does the patient spend the entire time in the birthing suite? Please explain a typical birthing process within a birthing center.

Response: A typical birth is attended by two clinicians: a Certified Nurse Midwife (CNM) and a nurse. Occasionally a second CNM will assist in place of a nurse. No anesthesiologists are members of the team. A woman labors and gives birth at the center. The CNM provides continuous labor support and intermittent auscultation. Women are offered a variety of pharmacologic and non-pharmacologic comfort measures. Immediately after delivery the CNM completes an assessment of the mother's vital signs and screens for peripheral blood clots and does a complete physical exam of the newborn including: screening for congenital heart defects, gestational age assessment, and assessment of vital signs. The CNM ensures that the mother is healthy, the baby is breastfeeding and that the family has what it needs to go home.

The family is discharged 6-12 hours after delivery. CNMs do a phone consultation within 24 hours of discharge and an at home visit within 48 hours. During the home visit the CNM does a complete physical exam of both the mother and the baby which includes: neonatal metabolic screening, weight check, and screening for jaundice. The patient does a follow-up visit with their pediatrician at 72 hours and then regularly thereafter. A phone or video consult is conducted with the mother at 1 week post-delivery and another one at 2 weeks, and the mother will visit the CNM practice 6 weeks postpartum.

Please describe the members of the clinical team that typically attend a birth. Is an anesthesiologist or CRNA typically a member of the team? Please explain.

<u>Response</u>: As described above, a typical birth is attended by two clinicians: a Certified Nurse Midwife (CNM) and a nurse. Occasionally a second CNM will assist in place of a nurse. No anesthesiologists are members of the team.

What is the difference in distance to VUMC from the original site and the proposed site?

<u>Response</u>: The difference in distance from the original site to VUMC and the proposed site to VUMC is 0.6 miles. The distance to VUMC from the original site is 0.8 miles (approximately 3 minutes driving time); the distance to VUMC from the proposed site is 1.4 miles (approximately 5 minutes driving time).

Mark A. Farber January 23, 2015 Page 3

January 23, 2015 3:00pm

Please explain how the parking is better at the proposed site vs. the current approved site.

Response: The proposed facility has 17 covered parking spaces. This will allow the applicant to ensure the safety and comfort of its patients, regardless of the weather. Seventeen spaces should be more than adequate. There are also additional parking resources on site — one outside parking lot and one underground parking lot. At the original site, the applicant theoretically had access to 20 parking spaces; however, as discussions progressed with the landlord, the applicant learned that only 7-10 of these spaces would be dedicated to Baby+ Company. The remainder of the spaces were shared parking with the neighboring restaurant. The applicant was concerned that during its busy times and the restaurant's busy times, it would run into parking constraints, which would then force patients to park across the street. This would create convenience and safety concerns for patients.

The original application proposed 5 birthing suites while this application proposed 4 birthing suites with the potential to add a fifth. Please discuss the change in thinking where the applicant now believes that 4 birthing suites will be adequate with which to begin.

<u>Response</u>: In the course of further evaluating the market and of detailed planning for the facility, the applicant concluded it would be beneficial to devote more resources to community education initially, to introduce and better inform the community about the birthing center option. This conclusion led to the decision to expand classroom space in the introductory stages of the project, with the expectation that the additional classroom will convert to a fifth birthing suite when demand for service justifies the conversion.

Given that women register for care 6 plus months before they deliver, the applicant has enough visibility into its birth pipeline to provide the construction time needed to convert the space from a classroom into a fifth birthing suite.

3. Section B, Project Description, Item III.A.

The plot plan identifies Park Drive, Acklen Park Drive, and Hillcrest Place; however West End Avenue is not identified. Please explain.

<u>Response</u>: The address of the proposed site is on West End Avenue; however, as seen on the plot plan, Hillcrest Place, a service road, lies between West End and the proposed site. The proposed site is still very accessible and visible from West End and the Google map directions provided with the application accounts for the distance from the physical location of the proposed site to VUMC, which is approximately 1.4 miles, or approximately 5 minutes driving time.

4. Section B, Project Description, Item IV.

Which labeled room is the kitchen?

Mark A. Farber January 23, 2015 Page 4

January 23, 2015 3:00pm

<u>Response</u>: The kitchen is labeled as the "Family and Kitchen Area" in Attachment B, IV to the application, which we have reattached as <u>Attachment C</u>.

5. Section C, Need, Item 1, (Change of Site)

Previous to this section the applicant indicated that the change of site was due to more space and better parking. In response to this criterion the applicant mentions the unavailability of the original site. Please explain.

<u>Response</u>: The reference in this section to the unavailability of the site was an error. A revised page 12 is attached as <u>Attachment D</u>.

6. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please explain in more detail the need to increase gross charges to \$9,000 per patient. By applying the net operating revenue in the original application to the operating expenses in the proposed application, the result is a net operating loss of \$44,218 in 2016, which is not atypical for a first year of operation, increasing to a net operating income of \$459,235 in 2017.

Response: Based on additional operational experience since filing the original application, the applicant's affiliate facilities have revised the global charge for a birth to \$9,000. In the case of the Nashville project, the operational expenses for the project have increased from the original application, mainly due to a better understanding of pass-through cost of employee benefits for professional staff provided by VUMC, the addition of an Outreach Coordinator, costs to employ quality full-time and part-time nurses in the Nashville market, and the cost for employed staff salaries including payment for call schedules. In year 2 of the projected data chart, the expenses per case projected in the current application are approximately \$572 more than projected in the initial application, whereas the net revenue per case is projected to increase by approximately \$431 per case. In any event, the applicant's global charges and net revenue per case are significantly less than hospital-based maternity care.

Please explain why Vanderbilt professional and clinical management fees in 2016 have increased by \$142,769 when comparing the original application to the proposed application.

<u>Response</u>: In the applicant's first application, it underestimated the Vanderbilt benefits overhead rate. As negotiations with Vanderbilt have progressed, the applicant now has a clearer understanding of the cost of Vanderbilt's benefits that will be passed through to the applicant.

7. Section C, Economic Feasibility, Item 9

Your response to this item is noted. Please complete the following chart.

Mark A. Farber January 23, 2015 Page 5

January 23, 2015 3:00pm

Projected Service Payor Mix

Payor Source	Year 1 Applicant's Project Gross Revenue	Year 1 Gross Revenue by Payor Source as a % of Total		
Medicare	0	0		
TennCare	\$1,002,282	30%		
Managed Care/Commercial	\$1,536,833	46%		
Self-Pay	\$367,504	11%		
Other (Charity/Bad Debt)	\$434,322	13%		
Total	\$3,340,941			

<u>Response</u>: In the course of responding to the question, the applicant realized that incorrect gross revenue numbers for TennCare were included in the response to item 8 on pages 23 and 24. Revised pages 23 and 24 are attached as <u>Attachment E</u>.

8. Section C, Economic Feasibility, Item 10

Please discuss the Maternity Centers of America's financial position as its unaudited financial statements reported a net operating loss of \$1,107,890 on August 31, 2014.

<u>Response</u>: It is understood and anticipated that Maternity Centers of America (MCA) will not be profitable until the individual centers collectively generate enough profit to also support the organization's corporate costs. Fortress Equity Partners (A) LP (FEP), MCA's sole owner, has already invested \$4.7 million into MCA and has a vested interest in continuing to support centers requiring working capital support during this growth period. FEP has a strong capital base to fund the success of these sites and the organization as a whole.

9. Project Completion Forecast Chart

The chart provided lists the projected Initial Decision date as 9/24/2014. The proposed project will not be heard any sooner than March 25, 2015. Please submit a revised Project Completion Forecast Chart.

<u>Response</u>: A revised Project Completion Forecast Chart, page 30, is attached as Attachment F.

Very truly yours,

BUTLER SNOW LLP

SUPPLEMENTAL- 1

<u>AFFIDAVIT</u>

January 23, 2015 3:00pm

STATE OF TENNESSEE

COUNTY OF <u>Davidson</u>

NAME OF FACILITY: Baby + Company Nashville

I, HE FINA, after first being duly sworn, state under oath that I am the attorney for the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 33 day of Jan , 20/5 witness my hand at office in the County of David Son , State of Tennessee.

My commission expires

HF-0043

Revised 7/02

NOTARY

My Commission Expires MAR, 8, 2016

SUPPLEMENTAL-1

January 23, 2015 3:00pm

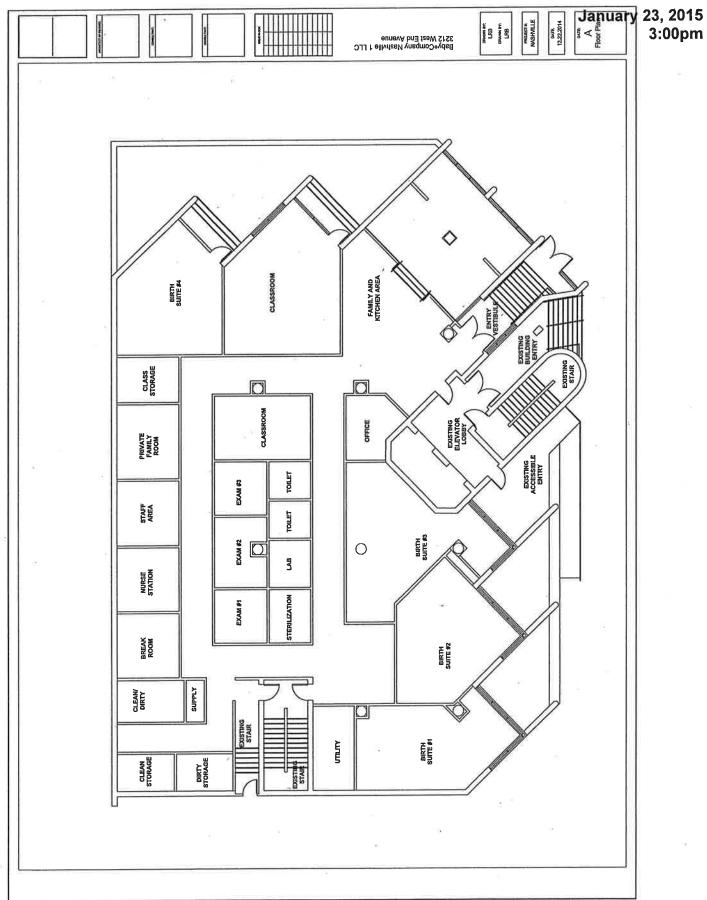
ATTACHMENT B

	99		SUPPLEMEN	TAL- 1
		ن ^{م سن} ۱۳۰ اور آخ ۱۳۵ _{۱ م}	January	23, 2015
A. Unit/Department	Original Sq. Ft (net)	New Sq. Ft (net)	Difference Sq. Ft	3:00pm
Birth Rooms	1,568 (5 rooms)	1,766 (4 rooms)	198	
Public Restrooms	90	112	22	
Family Room/Kitchen	290	875	585	59
Pharmacy/Lab	130	155	25	
Nurses Station/Office	207	693	486	
Classroom	275 (1 room)	744 (2 rooms)	469	
Storage	78	249	171	
Exam Rooms	297	324	27	
Patio		700	700	
Utility Space	316	252	-64	
Net Total	3,251	5,870	2,619	15
(4) (4)	* * * * * * * * * * * * * * * * * * *			
		it all		
B. Unit/Depart. GSF			4	
Sub Total	4,553			
		7		
C. Mechanical/ Electrical GSF			0	
D. Circualtion	1,099	1930	4 × 831	ē.
E. Total GSF	<u>4,350</u>	7,800	3,450	
	<u>.,,555</u>	<u> </u>	=,	

January 23, 2015 3:00pm

ATTACHMENT C

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Supplemental #2 -Original-

BABY + Company Nashville

CN1501-003

January 29, 2015

VIA HAND DELIVERY

Mark Farber
Deputy Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE:

Certificate of Need Application CN1501-003

Baby + Company Nashville

Dear Mr. Farber:

Response to the question in your letter dated January 27, 2015, is below. Please let us know if you need additional information.

1. Section C, Economic Feasibility, Item 10

Please discuss in more detail the relationship between Fortress Equity Partners (A), LP and Fortress Investment Group, LLC.

Response: Fortress Investment Group LLC has a long standing track record of managing investment funds which in turn own, fund and build a variety of businesses. Fortress has created one such fund, Fortress Equity Partners (A) LP to support the growth of a small number of companies, a primary one being Maternity Centers of America ("MCA"), the applicant's parent. As of November 30, 2014, Fortress Equity Partners (A) LP had \$71.7M of net assets on its balance sheet. It has already invested nearly \$5M of capital with MCA, and it is projected to invest another \$10M in 2015. It has a vested interest in seeing MCA succeed and it has more than enough capital to support MCA's growth, including the proposed Baby + Company birthing center in Nashville.

If for some reason Fortress Equity Partners (A), LP did not have the funds to support the proposed project, would Fortress Investment Group, LLC then provide the funds?

The Pinnacle at Symphony Place 150 3rd Avenue South, Suite 1600 Nashville, TN 37201 DAN H. ELROD 615.651.6702 dan.elrod@butlersnow.com T 615.651.6700 F 615.651.6701 www.butlersnow.com Mark Farber January 29, 2015 Page 2

Response: Fortress Investment Group LLC has no legal obligation to contribute capital to Fortress Equity Partners (A) LP. As explained above, Fortress Equity Partners (A) LP currently has more than adequate capital to support the development and operations of the applicant and other MCA birthing centers. The financial projections for Baby + Company Nashville 1, LLC are solid, based on conservative demand projections, particularly considering the birthing center option does not currently exist in the Nashville service area. Other MCA centers have similarly strong economics and are expected to be profitable within 12-18 months of opening. MCA's two existing centers are projected to break-even mid-2015

Very truly yours,

BUTLER SNOW LLP

clw

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF David son
NAME OF FACILITY: Baby + Company
I, And HE Iral, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that
have reviewed all of the supplemental information submitted herewith, and that it is true accurate, and complete.
Signature/Title Signature
Sworn to and subscribed before me, a Notary Public, this the 27th day of <u>San.</u> , 20 <u>15</u>
witness my hand at office in the County of <u>Davidson</u> , State of Tennessee.
Sharrow C. Couch NOTARY PUBLIC
My commission expires 3- STATE OF OF
HF-0043 TENNESSEE NOTARY PUBLIC
Revised 7/02 My Commission Expires MAR. 8, 2016



State of Tennessee **Health Services and Development Agency**

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

Date: March 5, 2015

To: **HSDA Members**

From: Melanie M. Hill, Executive Director

Re: **CONSENT CALENDAR JUSTIFICATION**

CN1501-003 - Baby + Company Nashville

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need. If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the February 2015 review cycle, it was not opposed. If the application is opposed prior to being heard, it will move to the bottom of the regular March agenda and the applicant will make a full presentation.

Summary—

Baby + Company Nashville is seeking approval to relocate approved but unimplemented CN1406-022A for a birthing center a distance of 1.5 miles. The applicant received approval at the September 24, 2014 Agency meeting to establish a birthing center in leased space at 2106 21st Avenue in Nashville. After approval, the applicant identified 3212 West End Avenue in Nashville as being more conducive to the services it plans to offer. The new site is described in more detail on pages 4-5 of the original application and on the 2nd and 3rd pages of the supplemental information.

The new site will provide one less birthing suite initially but has the space to add it later. The new site provides more space to be used for community education, larger functional areas, more circulation space, and an outside patio area for families.

Patient charges will increase from the original application which are being attributed to the following: 1) a better understanding of costs since its affiliate facilities now have more operational experience 2) better understanding of pass-through costs of professional services benefits for VUMC staff 3) addition of an Outreach Coordinator and 4)staffing-related costs. More discussion is provided on the 4th page of the supplemental information. The applicant notes its global charges are still significantly less than hospital-based maternity care.

The original application was approved on an 8-0 vote with Mr. James Wright providing the motion to approve and Ms. Elisha Hodge providing the second. Mr. Wright provided the following justification for approval:

Need-the criteria of need is met as this provides a safe and cost-effective option for mothers and babies. This is a service that is currently unavailable in the Nashville Metropolitan area.

Economic Feasibility- Is met through cash reserves or will be met through cash reserves and a building lease.

Contribution to the orderly development of health care- The project does contribute to the orderly development of adequate and effective health care as the impact to surrounding health care providers in this case will be minimal and there has been no opposition to the project voiced. They will be a TennCare provider as well allowing improved access to everyone living in the service area.

Executive Director Justification -

I recommend the Agency approve certificate of need application CN1501-003 to relocate approved but unimplemented CN1406-022A for the establishment of a birthing center from 2106 21st Avenue, Nashville to 3212 West End Avenue with the Condition that unimplemented CN1406-022A be surrendered based upon the following:

Need- The need to establish the facility was justified in CN1406-022A. The need to relocate the facility is based upon a more suitable site being located nearby which will provide more functional space and better parking.

Economic Feasibility- The applicant's owner, Maternity Centers of America and its owner/investor, Fortress Equity partners, LP, have committed to funding the actual startup and working capital estimated to be \$1,348, 481. The remaining costs of the project are based upon the fair market value of the building rather than actual cost. Positive cash flow is estimated in Year 1.

Contribution to the Orderly Development of Health Care-The project does contribute to the orderly development of health care because the new site will provide a more suitable location for the birthing center, which far outweighs the projected 6-month delay in implementation. The new site

provides space that is more functional and will provide better parking, which will accommodate both families and professional staff.

CONDITION: CN1406-022A for the establishment of a birthing center at 2106 21st Avenue in Nashville (Davidson County), Tennessee will be surrendered.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR

- (1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.
- (3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
- (4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.
 - (a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.
- (5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

CERTIFICATE OF NEED REVIEWED BY THE DEPARTMENT OF HEALTH DIVISION OF POLICY, PLANNING AND ASSESSMENT OFFICE OF HEALTH STATISTICS

615-741-1954

DATE: February 27, 2015

APPLICANT: Baby + Company Nashville

3212 West End Avenue Nashville, Tennessee 37203

CONTACT PERSON: Dan Elrod, Attorney

Butler Snow, LLP

150 3rd Avenue South, Suite 1600 Nashville, Tennessee 37201

CON #: CN1501-003

COST: \$2,080,111

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with the *Tennessee State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Baby + Company Nashville, owned by Baby + Company Nashville 1, LLC is filing this Certificate of Need (CON) application CN1501-003 with the Health Services and Development Agency (HSDA) to relocate the Birthing Center previously approved by the HSDA in CN1406-022A in leased space located at 2106 21st Avenue in Nashville, Tennessee 37212 to leased space at 3212 West End Avenue, in Nashville, Tennessee 37203. The proposed new facility will consist of 4 birthing suites, 3 examination rooms and various support areas. The new facility will occupy 7,800 square feet of space as opposed to only 4,350 square feet of space at the previously approved site. The applicant in CN1406-022A stated it would have 5 birthing suites at the original site. The new site, while larger than the original site, will have 4 birthing suites with space for a 5th birthing suite should demand warrant an additional birthing suite. The applicant expects to utilize this space, in the meantime, as a classroom.

The project does not include any licensed beds, the acquisition of major medical equipment or the initiation of any other health care services for which a Certificate of Need would be required.

Note to Agency Members: The original Project Costs Chart and the original Letter of Intent stated that the total project cost would be \$1,883,161.86 for CN1406-022. The proposed project cost for CN1501-003 will be an estimated \$2,080,111.00.

This application has been placed on the Consent Calendar. Tenn. Code Ann. § 68-11-1608 Section (d) states the executive director of Health Services and Development Agency may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being

formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee State Health Plan*.

NEED:

The review of this CON application by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics confirms the proposed project's service area includes Davidson County. Davidson County in 2015 has a total population of 663,151, increasing to 688,318 in 2019; an increase of 3.8%.

The applicant believes a market exists for high quality, cost-effective alternatives to traditional hospital stays for low risk mothers. The reason for this is based upon the following:

- 1. A national survey of women giving birth in 2012 reveals 25% would prefer a birthing center, Source: *Childbirth Connection, Listening to Mothers III;*
- 2. The same national survey revealed that 39% of the women surveyed would consider a birthing center if it were available, Source: *Childbirth Connection, Listening to Mothers III;*
- 3. There are no birthing centers in Davidson County, as verified by the Tennessee Department of Health, Division of Healthcare Licensure and Regulation-Office of Healthcare Facilities;
- 4. The facility will participate in TennCare/Medicaid and can address the needs of the economically disadvantaged in Davidson County;
- 5. The facility will have in place a contract with Vanderbilt University Medical Center to provide a Medical Director and Nurse Practitioner services to the birthing center;
- The proposed facility will be able to provide rapid transport to Vanderbilt University Medical Center for any women whose condition warrants more intensive treatment services. The site of the proposed facility is less than 1.4 miles from Vanderbilt University Medical Center; and
- 7. The applicant's proposed global charge for a delivery in CN1406-022A was estimated to be \$7,500. The applicant notes the newly calculated global charge will be \$9,000 if this project is approved. The comparison of hospital charges range from \$5,836 for Nashville General, \$10,548 for Vanderbilt University Medical Center, \$12,885 for St. Thomas Midtown, \$12,976 for Tri-Star Summit Medical Center and \$16,188 at Tri-Star Centennial Medical Center. It is noted that charges from these hospitals do not include any physician charges and newborn charges.

The need for this project is to provide an option for low-risk expectant mothers who would like to give birth in a non-hospital outpatient clinical setting. The birthing center model, as the applicant notes, is "based on the concept that childbearing is a normal physiologic process, and that mothers with low risk of complications can safely deliver in home setting on an outpatient basis."

The facility, if approved by HSDA, in addition to obstetrical care will provide an array of relevant services for expectant mothers including pre-conception and fertility counseling, pre-natal examinations and after-birth follow-up services. Educational services will include, but not be limited to, subjects such as birth preparation and breastfeeding.

TENNCARE/MEDICARE ACCESS:

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics notes the applicant will seek TennCare/Medicaid certification. The applicant states that Section 2301 of the Patient Protection and Affordable Care Act requires that State Medicaid Plans include provisions for reimbursement for services provided in a birthing center. The TennCare/Medicaid State Medicaid Plan already includes provisions for reimbursement of these services in licensed facilities. Due to the nature of the type services to be provided by the applicant reimbursement from Medicare will not be sought.

The applicant, in response to HSDA staff questions, revised its estimate of TennCare/Medicaid revenue in year 1 of the project. This can be found on page 10 of Supplemental 1. The revised estimate will be \$776,250 in year 1 and \$1,080,000 in year 2.

TennCare/Medicaid revenue will represent 30% of total revenue. Commercial Insurance will represent 46% while self-pay will represent 11% and charity care and bad debt will represent another 13%.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 17 of the application. The total estimated project cost is \$2,080,111.

Historical Data Chart: There is no Historical Data Chart because this CON is for a new project.

Projected Data Chart: The Projected Data Chart can be found on page 21 of the CON application. The applicant projects it will perform 345 procedures in year one and 480 procedures in year two with a net operating income of \$104,563 and \$666,233 each year respectively. The economic viability of the project can be seen in the preceding net operating income less capital expenditures. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics notes the applicant estimates that charity care in year 1 of the project will be \$372,644 and in year 2 will be \$518,461. Another factor of importance is the applicant's estimate of bad debt in year 1 will be \$74,529 and in year 2 will be \$103,692. It is noted that these estimates are higher than in the originally approved CN1406-022A.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The facility, if approved by HSDA, will seek licensure from the Tennessee Department of Health, Board for Licensing Health Care Facilities as a birthing center. Currently, the state has 3 licensed birthing centers located in Cookeville, Madisonville and Knoxville.

The facility intends to market its services to Davidson County residents and expects that 80% of its patients will reside in Davidson County. Therefore, defining the service area as Davidson County appears reasonable.

The close proximity to Vanderbilt University Medical Center (VUMC) offers several benefits that can, if realized, impact the orderly development of healthcare in Davidson County according to the applicant. They are as follows:

- The proposed facility is less than 1.4 miles from VUMC;
- The interagency agreement will provide the services of a Medical Director and appropriate numbers of Nurse Midwives; and

• The proposed facility will utilize VUMC as the designated emergency service for those few cases that warrant more intensive services.

Other factors which contribute to the orderly development of healthcare involve the preference of expectant mothers for a more homelike environment, as previously mentioned in the need section of this report, and that the cost of the delivery services will be approximately \$9,000. This reduces outlays by commercial insurers for low risk deliveries and reduces co-pays and deductible amounts for the consumers.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document the *Tennessee State Health Plan*.

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

BIRTHING CENTERS

1. The approval of a birthing center will be made only when it is demonstrated that the accessibility to adequate obstetrical and gynecological services in the applicant's geographical service are limited and/or there are special circumstances which require additional services.

The applicant makes the case that the preference of low risk expectant mothers for these types of facilities and their lower charges contribute to the orderly development of healthcare. The case is also made that the absence of a birthing center in Davidson County does not contribute to the orderly development of healthcare and contributes to higher costs for consumers and insurers.

2. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified. Service area shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of the service recipients reside. The service area should be based on an optimal balance between population density and service proximity.

The applicant identifies Davidson County as its service area and states that approximately 80% of its patients will be residents of Davidson County. The defined service area appears reasonable.

The existing providers of obstetrical services include the following hospitals: TriStar Centennial Medical Center, TriStar Summit Medical Center, Nashville General Hospital, St. Thomas Midtown and Vanderbilt University Medical Center. This data is drawn from page 41 of the 2013 Hospital Joint Annual Reports provided by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

3. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics female population estimate for 2015 aged 15-44 in Davidson County is 148,468. The estimated female population aged 15-44 in 2019 will be 148,787.

4. The relationship of the socio-demographics of the service area and the projected population to receive services should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered, including the accessibility to consumers, particularly women, racial and ethnic minorities, and low-income consumers.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics notes charity care in year 1 of the project will be \$372,644 and in year 2 will be \$518,461. The applicant's estimate of bad debt in year 1 will be \$74,529 and in year 2 will be \$103,692.

5. The applicant must identify the existing facilities providing obstetrical services in the service area and their utilization.

The existing providers of obstetrical services include the following hospitals: TriStar Centennial Medical Center (3,212 live births), TriStar Summit Medical Center (1,194 live births) Nashville General Hospital (543 live births), St. Thomas Midtown (6,092 live births) and Vanderbilt University Medical Center (4,554 live births). This data is from page 41 of the 2013 Hospital Joint Annual Reports.

6. The applicant must indicate the distance and approximate travel time that patients in need of emergency obstetrical services would have to travel to the nearest acute care facility to receive emergency care.

The applicant's facility will be located approximately 1.4 miles from Vanderbilt University Medical Center. Travel time is expected to be minimal under the circumstances.

7. The applicant must indicate the modes of transportation that will be used by obstetrical patients for emergency transfer. The applicant must have written protocols, procedures, and transfer agreements for the appropriate transfer of patients to a nearby acute care facility offering obstetrical services for emergency care.

The birthing center intends to contract with an ambulance service if the project is approved. The applicant states it has been in contact with MooreCare Ambulance Service and further notes the ambulance service has no reservations about serving the birthing center.

8. The charges for obstetrical services for the proposed facility should be indicated and compared to those of existing obstetrical service providers in the proposed service area.

The estimated charge for birthing center clients will be \$9,000 in year 1 and in year 2 according to the applicant's response. Charges for the 5 hospitals providing obstetrical services to low risk mothers are as follows: Nashville General Hospital-\$5,836, St. Thomas Midtown Hospital-\$12,885, Vanderbilt University Medical Center-\$10,548, TriStar Centennial Medical Center-\$16,188 and TriStar Summit Medical Center-\$12,976. These charges however, are not comparable because physician and newborn charges are not included. The applicant's \$9,000 global charge does include physician and any newborn charges.

9. The applicant must document the availability of adequate professional staff to provide services 24 hours a day, seven days a week, as per licensing requirements; to deliver all designated obstetrical services in the proposal. The governing body of the birthing center must appoint a medical director who is board certified in obstetrics/gynecology or family practice. Each physician practicing or consulting in the birthing center shall have admitting privileges at a designated back-up hospital.

The proposed staffing will include a physician who will serve as the medical director of the

- project and all midwives will be provided through a contract with VUMC's midwife training program. The number of RNs will total 3.4 FTEs. The medical director will have admission privileges at VUMC.
- 10. The applicant must demonstrate that the proposed obstetrical services will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant states the facility will conform to the most recent AIA Guidelines for Design and Construction of Healthcare Facilities and the licensing standards.